

The War's Economic Effects in the Twenty-First Century, Both Locally and Internationally

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Abstract

The essay looks at how wars in the twenty-first century have affected the economy both theoretically and practically. The idea of the "military economy" is emphasized. Analysis is done on the dynamics of military spending. The causes and forms of conflicts that have taken place in the past and are happening now are explained. Researching the economic effects of Russia's war in Ukraine is emphasized. The pre-war evaluation of nations' potential attested to and validated the belligerent intentions of a big nation that launched an attack on a much smaller one. The subject of protecting minor nations' independence was brought to light by the conflict against Ukraine. The essay's primary goal is to analyze how the conflict has affected the global economy as well as the economies of the involved countries. Inflation, migration, and the volatility of specific commodities markets emerged as the primary mechanisms of the war's impact. As a consequence, many nations' economic growth indices are getting worse. The concerns posed make the global community's task of coming up with innovative ways to deal with war's problems a reality. The essay examines the long-term consequences of modern warfare on international trade, foreign investment, and the stability of global financial systems. It explores how nations redirect resources from developmental and social programs toward defense and military preparedness, often at the expense of human development indicators. The analysis also highlights the ripple effects on employment, supply chains, and regional economic integration. Furthermore, the role of international organizations and alliances in mitigating economic shocks caused by war is discussed. By providing both empirical data and theoretical insights, the essay underscores the importance of strategic economic planning in wartime scenarios and emphasizes that understanding the economic dimensions of conflict is crucial for creating policies that reduce vulnerabilities and enhance resilience.

Keywords: War, economic consequences, military expenditures, global economy, Russia-Ukraine conflict.

INTRODUCTION

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Russia's military assault on Ukraine in the twenty-first century not only raised concerns about the safety and survival of a nation of millions of Europeans, but it also made it necessary to conduct research on the complex impacts of war on the advancement of both individual nations and the world economy at large.

Planned bloodshed between governments over symbolic issues like territory, wealth, and power is called war [1].

The writers of the study [2] emphasize that the systematic use of violence to further political objectives still constitute war. Furthermore, the conflict remains a legitimate political event in the twenty-first century.

LITERATURE REVIEW

Researchers interested in war include economists, sociologists, political scientists, and others.

More often than not, war scientists investigate the reasons for aggressiveness, which should enable them to influence it in order to stop it. The study of the war's economic effects is equally crucial, though, as it will enable the development of arguments for war prevention from the perspective of protecting resources for development rather than using them to eradicate the effects in the post-war era [3-5].

The following categories should be used to classify scientific publications that examine the effects of the war:

Studying the nature and effects of conflict in terms of their forms and composition is the first direction.

Any type of economic activity that occurs during a battle, whether legal or illegal, is referred to as a "war economy" by [6-9]. But the author also proves that three elements existed during the conflict:

The mobilization and utilization of resources to support a nation's capacity to fight war, which is known as the war economy;

The coping economy, which brings together demographic groupings that manage to survive and overcome wartime challenges; the shadow economy, which describes illicit operations and the exploitation of conflict to benefit from them.

METHODOLOGY OF THE RESEARCH

Scientists from slightly varied backgrounds have examined how conflict affects social and economic processes. However, given the complexity of the problem as described, we believe it makes sense to examine how conflict affects social and economic processes using a comprehensive approach.

The primary methodological approaches that served as the foundation for this study's methodology development were previously offered by scientists and addressed the following topics: the effects of war on GDP dynamics [14], poverty and migration processes [16], and prospects for economic recovery [9]. The direct costs of war, both human and financial, are examined in the work. The researchers recommended going back to the idea of "wartime" as a

Phenomenon that affects international relations and world politics in the twenty-first century. Scholars emphasize the connection between conflict and time, while also pointing out that the topic has received little attention. After all, the economic and societal repercussions of a conflict increase with its duration.

The methodology of the research is predicated on the assumption that examining the economic and social processes of the warring nations is both crucial and challenging.

Such an analysis is crucial because it enables the world community and national leaders to make prompt decisions about the economic means of influencing the aggressor to stop war by providing an unbiased evaluation of the immediate and, more importantly, long-term effects of war. By analyzing war, we may systematically describe its effects in terms of qualities that are crucial in the twenty-first century, such as the preservation of human life and prospects for progress, as well as those that were not previously significant, like capturing another person's territory. Emphasizing the economic and social costs should become a compelling argument if society, including that of the aggressor nation, is to understand the implications of the war from the standpoint of their nation's development and the perspective of future generations [10-13].

The intricacy of the research stems from the fact that operational monitoring of the situation is extremely difficult in the attacked country, and the aggressor countries tries to conceal information about the true health of the economy by closing data.

Using operational and retrospective analysis approaches to study the conflict is feasible, and the results can be used immediately to produce projections for the socioeconomic developments of the fighting nations [15].

Determining how long the aggressor nation will have the financial means to sustain the conflict requires an operational analysis of the economy. In order to determine the extent of the damage and the amount of reparations when the aggressor country wishes to reenter the system of international economic and legal relations, as well as to estimate the aggressor country's potential losses, a retrospective analysis of the war's effects is crucial for the general public.

Forecast trends in post-conflict country development should show the war's long-term effects, which should serve as another economic justification for the use of preemptive political measures to stop an active conflict for both the aggressor nation and the international community. The following primary phases will guide the analysis of the war in this article: military costs, military and economic potential of the warring nations, and war-related effects on the participating nations and the world economy.

Thus, if we consider the recent wars in Syria and Afghanistan, the key effects for the countries were the fall in GDP, a decrease in the population's income level, and large-scale migration (Table 1).

Table 1. Macroeconomic indicators of Syria and Afghanistan.

Indicators	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Syria											
GDP, current US	253.5	72.6	43.12	23.55	23.0	18.62	13.45	17.34	22.45	23.52	19.81
GDP per capita growth, annual, %	4.3	4.3	-23	-22.1	-6.1	0.7	-2.8	1.4	2.43	4.2	-12.7
GDP per capita, US	11820	3050	2094	1039	1145	914	706	943	1264	1335	1075
Number of refugees, thousands of people	1	23	250	348	2272	3592	4576	4837	5479	5682	5456
Afghanistan											
GDP, current US	15.86	17.81	19.81	20.15	20.5	19.13	18.12	18.75	18.05	18.8	20.12
GDP per capita growth, annual, %	11.4	-2.71	9	3	-0.7	-1.6	-0.5	0.1	-1.2	1.5	-4.6
GDP per capita, US	526	512	557	549	565	546	553	563	546	555	510
Number of refugees, persons	6434	3001	16184	16861	310421	255553	59970	75929	72628	75227	72378

The wars in Syria and Afghanistan serve as examples of how civilized society cannot guarantee their swift conclusion, even in the face of enormous human and material losses.

The conflict in Ukraine brought about a new chapter in military aggressiveness and made the problem of reallocating global GDP to support the defense sector a reality.

The world economy is still heavily militarized, even though certain theoretical conclusions about the civilizational trend of society toward fewer wars have been drawn. Considering indicators such as total military spending and its proportion of GDP, the following are the main trends seen throughout the past 20 years (Figure 1): The amount spent on the military is steadily rising and will surpass \$2 trillion in the United States in 2021. The military's percentage of the global GDP has steadily declined from 5% in 1070 to 2.2% in 2021. Between 2010 and 2020, military spending grew at an average annual rate of 1.99%, while GDP grew at a pace of 2.56%.

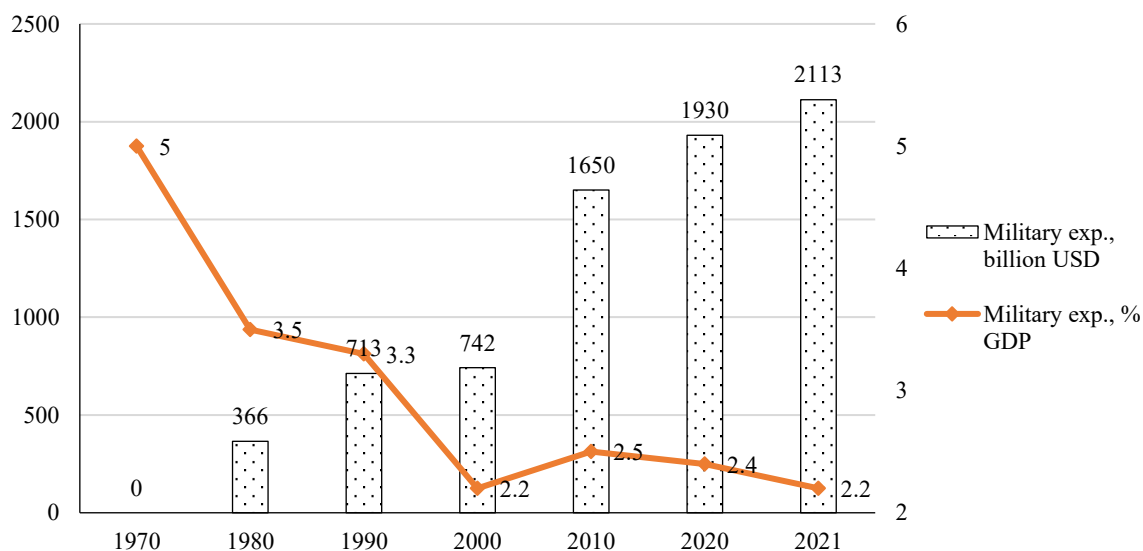


Figure 1. World military expenditure.

As the paper points out, military spending in the "cannon-oil" concept's coordinates no longer has the kind of impact on economic growth that ought to have led to a reduction in such spending.

The majority of nations use 1% to 3% of GDP to fund their armies (Figure 2). In absolute terms, the United States, China, India, and several EU countries are the biggest spenders. Saudi Arabia leads the world in terms of GDP share.

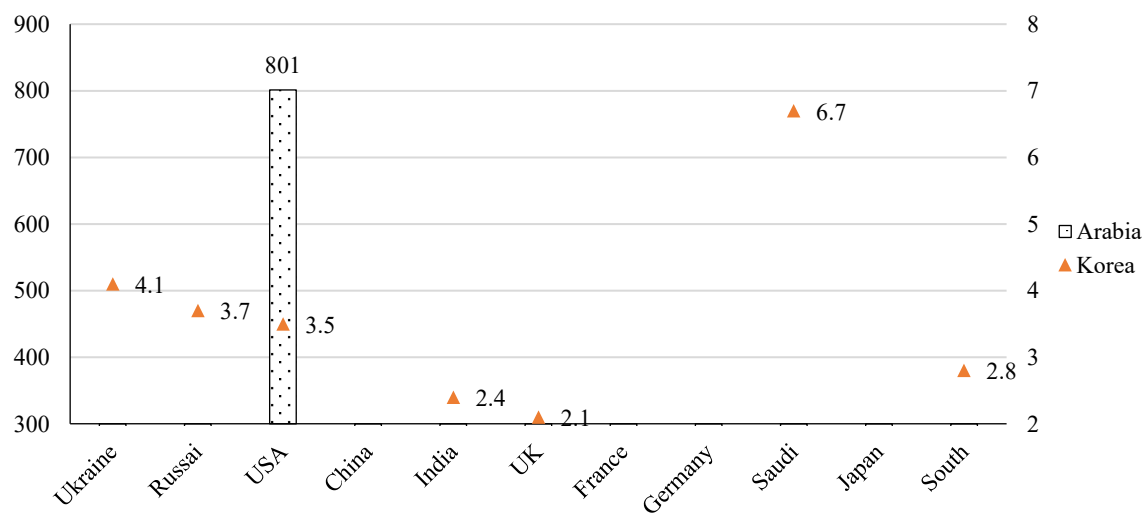


Figure 2. Military expenditure.

However, the justification for raising army spending is frequently political in nature and has nothing to do with practical economic considerations. Thus, the leaders of a number of nations announced plans to expand their arms spending next year in response to Russia's conflict against Ukraine. The proposed budgets for the ensuing years had a different set of goals. investment on agriculture, energy, and the military has taken precedence over investment on social services and education.

Research of the economic potential of the war participant countries at the beginning of the war

According to certain signs, a nation several times more powerful than the target of the attack initiated the war in Europe in the twenty-first century.

Russia started the conflict because of European integration policies and the potential for economic expansion. This argument completely supports the scientists' conclusion that in a lawless environment, larger governments may attempt to limit the economic expansion of weaker states out of concern that it may jeopardize their security.

The world's largest nation invaded a country that is, by some measures, considerably smaller, according to the main metrics that give an idea of the extent and results of Russia's and Ukraine's operations (Table 2).

Table 2. Comparison of the economic potential of UKRAINE AND RUSSIA.

Indicators	Ukraine	Russian federation	Excess, times
The size of the territory, thousand km ²	603,7	17078	24.3
Population, million people	41	146	3.6
GDP, current billion US\$, 2021	200	1770	8.9
Share in world GDP, %	0.31	1.95	8.7
GDP per capita, US\$, 2021	2461	10219	4.2
Exports of goods and services, % of GDP, 2021	40.7	31.8	0.6
Imports of goods and services, % of GDP, 2021	41.7	31.3	0.5
KOF Globalization Index 2020 (place)	74.65 (44)	71.74 (49)	-
Military exp., billion USD (2021)	5.4	63.7	11.3
Real GDP growth at market prices in percent, %			
2021	3.5	4.7	-
2022	-46	-15.2	-
2023	0.8	0.6	-

The world's largest country is Russia. In comparison to Ukraine, Russia has 3.6 times the population. To put it another way, Russia is a much bigger nation that invaded a smaller one in terms of macroeconomic power, people resources, natural resource potential, and geographic size. The most striking is the 12.3-fold increase in Russian military spending. However, from the perspective of the rational strategic objectives of the growth of a normal nation, even the macroeconomic indicators of Russia that have been provided attest to the ineffectiveness of utilizing the nation's current capacity.

To summarize the conditions for the war at the time of its announcement, it should be said that the country that started it had strong natural resources and economic potential, was fairly integrated into the global economy, and was heavily militarized (including with nuclear weapons). The hypothetical question, "Is it possible to fight with trading partners?" had a positive response.

The Impact of the War on Ukraine

Russia's unprecedented military actions resulted in the following: 20% of the country's territory was occupied; people and physical assets (housing, production, transportation, and property) were lost; the population migrated; business operations were slowed down or stopped; there was a shortage of labor; and businesses moved from the east to the west.

Ukraine has already lost 564.9 billion dollars in one-time damages as a result of the Russian invasion. At the moment, the destruction structure looks like this: 119 billion dollars. The United States suffered 112 billion dollars in infrastructure losses, including the destruction and damage of about 8,000 kilometers of highways, dozens of train stations, and airports. The USA lost \$90.5 billion in GDP in 2022.

Dynamics of GDP

Ukraine's GDP has been averaging between 2 and 4 percent per year in recent years. Although economic activity declined as a result of the pandemic, the 2020 GDP decline was not substantial.

GDP growth rates immediately fell as a result of the war, reaching -15.1% in the first quarter, -37.2% in the second, and -30.8% in the third quarter of 2022.

Destabilization of the Country's Foreign Economic Activity

The conflict significantly altered the structure and dynamics of Ukraine's international trade, leading to the real damage of property or the closure of numerous export-oriented firms' sea ports. Ukraine's export and import dynamics by month in 2021 and 2022.

The world's top corporations have stopped doing business in Russia, which has caused a halt in economic development patterns. Overall, 491 enterprises are waiting, 1126 are departing, and 51 have finally left Russia. Investments are restricted in such a state, and their gradual withdrawal is put into effect. All of this points to a slow decline in the need for workers.

Table 3. Predictive indicators of Russia, %.

Indicators	2019	2020	2021	2022 (f)
GDP growth	2.1	-2.6	4.6	-11.2
Export	0.7	-4.1	3.3	-32.9
Import	3.2	-13.2	14.7	-34.2
Inflation rate	4.6	3.7	6.8	21.0
Budget Deficit	1.93	-4.0	0.62	-2.0

In Table:3, Despite all of the short- and long-term consequences, Russia keeps spending more on war. In 2022, the monthly cost of military payments is currently 80 billion. These are payments that do not include clothing, equipment, or injured people. According to the Russian Federation's 2023 draft budget, defense spending will increase from its current level of 3.6 trillion rubles to \$5 trillion. However, Russia intends to conceal the reason for nearly 25% of its 2023 budget expenditures and will greatly boost defense spending in order to fight a long war against Ukraine. 6.5 trillion rubles, or 112 billion USD, are allocated for classified or unclear expenses in Russia's 2023 budget draft.

The war's Effects on the World Economy

The global economy is being severely impacted by Russia's war on Ukraine, which has already shown up in a number of economic processes and will continue to have long-term repercussions. Basic processes by which conflict affects the world economy:

Commodity market volatility, which has a major influence on inflationary processes, will continue. IMF specialists predict that inflationary processes will be 5.7% in advanced economies in 2022 and 2.5% in 2023, while they will be 8.7% in emerging and developing economies in 2022 and 6.5% in 2023. The monetary system and bank interest rates are anticipated to be impacted by inflationary forces.

CONCLUSIONS

As in the past, the goal of 21st-century conflicts is to use force to resolve political disputes. The emergence of immediate and lasting impacts on both the warring nations and the global economy is a characteristic of 21st-century conflicts. Under such conditions, the world's militarization nevertheless ensures that each country can maintain its independence, and those that cannot protect themselves militarily run the risk of losing their sovereignty.

Both the preservation of human life and Ukraine's continued existence as a state were threatened. Russia's war tactics and objectives were influenced by the 19th and 20th centuries. It ignores the 21st-century economic logic of globalization and cooperation. Russia was able to make threats against other countries—especially EU countries—come to life by using energy carriers. The aggressor

nation's exploitation of its exports as a means of political blackmail against other nations is another aspect of this conflict.

The war had a significant impact on the world economy's food and energy sectors as well as the financial sector, which included inflation and the hazards of sustainable economic growth.

The war had a significant impact on the world economy's food and energy sectors as well as the financial sector, which included inflation and the hazards of sustainable economic growth. The current conflict revealed an unprecedented effort by the world's civilized nations to use economic sanctions to sway the political decisions of the aggressor nation and limit Russia's economic capacity to pay for military spending.

Some of the severe consequences of the aggressor country include the following:

The slow decline in oil and gas export quantities and the loss of sales markets for numerous products, which results in a gradual decline in "energy" revenues.

Limiting access to the country's gold reserves and cash, which were kept in the USA and Europe; a considerable decrease in the import of a variety of items, many of which are high-tech. This contributes to the country's trend toward technological backwardness as it switches to older technology.

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