



POLICY PAPER

A Violent Convergence: How Silicon Valley and Private Finance Are Reshaping War

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1 A Violent Convergence: How Silicon Valley and Private Finance Are Reshaping War

Most academic research into war and its causes focuses on geostrategy, ethnic cleavages, climate-driven resource disputes, or game theoretic models of elite decision-making. Despite significant work done by journalists and advocacy organizations around the political economic foundations of war, relatively few scholars adopt this approach. Yet many of those same scholars would agree that much of US foreign policy – including military invasions and bombing campaigns – is guided by the output of think tanks, research centers and the substantial number of lobbying, consulting, and issue advocacy organizations that draw their funding from the military industrial complex. If this is true, then the microfoundations of war are very much rooted in issues of the US political economy.

The issues of US political economy most relevant to US ‘forever wars’ are: 1) the military industrial complex, notably the ‘legacy’ or ‘prime’ contractors like Lockheed Martin, etc. that form a substantial share of high-value US manufacturing; 2) Silicon Valley and the tech industry more broadly; and 3) private capital, specifically the vast reserves that have accumulated in the venture capital and private equity portfolios of the transnational capitalist class. These three forces converge and overlap in new ways to produce forms of violence that are novel in both their breadth and intensity. It is no surprise that Iran has identified Gulf outposts of US tech firms and major banks as legitimate military targets in the current war; they provide the computing power and private finance that expand the US war machine.

Militarized Industry

The military industrial complex is a global complex, not the agent of a geographically-bounded nation state (like the US). Its goals are not the defense of specific territories, but the near-term maximization of shareholder returns – the same imperative that dictates every other sector under capitalism. The governing feature here is the increasing influence of private industry over the state. This influence has been secured through decades of economic liberalization and hollowing out of state capacity. Today’s globalized weapons production resembles other industries like garment manufacturing. We see the outsourcing of inputs to low-cost production sites overseas, the transfer of technologies and production in the pursuit of market access, the dramatic expansion and complexity of supply chains and piecemeal manufacturing, near-monopoly status through substantial consolidation and conglomeration, and the just-in-time supply practices that have long-dominated manufacturing in sectors like automobiles or consumer appliances. The globalization of military supply chains has reproduced at a global level a distinctly American phenomenon: distributing piecemeal production across as many distinct political constituencies as possible to lock in continued support for the funding and purchase of weapons platforms even after they become obsolete or unnecessary.

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In the US, this practice has a long history, but its reproduction globally guarantees future demand from foreign customers who now act as suppliers and subcontractors. The dominant features of industrial production today apply equally to missiles as to washing machines, while manufacturing has been militarized in the world's industrial economies, where weapons firms achieve higher profit margins, large subsidies, and virtually guaranteed future business, incentivizing many civilian manufacturing firms to become important suppliers to the military industrial complex. General Electric makes engines for fighter jets and power systems for naval vessels, Honeywell produces tank engines and surveillance and satellite equipment, OshKosh builds a range of armored military vehicles, Samsung makes a range of munitions and amphibious assault vehicles. The Ball Corporation (famous for its glass mason jars) manufactures aerospace sensors and components used in Predator drones under a subsidiary that was acquired by British Aerospace/BAE. Texas instruments, the maker of graphing calculators used in high school classrooms, made missiles and laser guided bombs before its division was acquired by Raytheon in 1997. Textron began in the 1920s as a textile firm, expanding into hand tools and garden equipment before adding military aviation inputs to its list of products. Cubic Corporation, which makes the SmartTrip card many members of the US national security state use during their morning subway commute, also produces combat maneuvering instruments for fighter jets. The company that probably made your air conditioner (Carrier) also makes engine components for the F-35 and a range of military helicopters. Volkswagon is now in talks with Israeli weapons firm Rafael to transition production at one of its German automobile plants to making missile components for the Iron Dome, and it already has a joint venture with Rheinmettal to make military vehicles. The list goes on, and includes corporations in Europe, Japan, and India.

Just as household names in consumer durables have expanded into military production, lured by the US's near-constant state of war, so too are established military conglomerates expanding into unrelated sectors by leveraging their status as the largest government contractors. Weapons producers are diversifying into a range of service sectors like enterprise management, organizational productivity, land remediation, and healthcare IT. Despite this obvious (and highly consequential) militarization of manufacturing activity globally, it remains undertheorized and lacks a firm empirical foundation. Basic investigations, like a comprehensive measure of the degree to which production has been militarized, are difficult to conduct.

Tech Industry

Just as industrial manufacturing has become militarized, so too has the tech industry. The [role of military spending in turning Silicon Valley into a giant tech hub](#) is well documented. But more recently, during the height of US forever-war fatigue and pressure from their rank-and-file employees, some tech firms eschewed military contracts. However the increasing automation of warfare (and the data storage,

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transmission and encryption needed to enable that automation) has turned tech giants like Amazon, Google and Microsoft into some of the Pentagon's largest suppliers. The decline of consumer-focused tech innovation has fed this militarization: for most of the early 2000s, advances in tech like smartphones, tablets, cloud computing, and streaming services brought useful products and services to ordinary people. But the 2007 financial crisis and COVID prompted a period of zero-interest rate policy (ZIRP) and loose capital markets that transformed the US tech industry into a giant piggy bank for billionaires and asset managers, who gained increasing control over the direction of technological development within the tech companies themselves. Since then, much of the market growth in tech has come from products that are either scams or Rube Goldberg-like structures. Silicon Valley output in this period included storied boondoggles like the meta-verse, theranos, crypto, NFTs (non-fungible tokens), wearable tech that everyone hated, subscription services for smart tech in everything from mattresses to gym equipment, and of course, "autonomous" robots and "self-driving cars" that were actually remotely piloted by someone in a 'digital sweatshop' in Manila or Nairobi.

As monetary supply tightened, so did the flow of investor cash into consumer and enterprise software startups. The war in Ukraine and the rise of China's high-tech industry put hardware – specifically military hardware – back at the center of tech development and investment patterns. Between 2020 and 2024, at least \$125 billion of venture capital went into military-tech startups, up from only \$43 billion in the prior four years. Startups that initially target civilian or consumer markets are often pressed into designing military tech by venture capital investors eager to attract the next round of investors. One example of this is the startup Helsing, which used machine learning to improve medical imaging outputs when the founder was approached by representatives from the military sector, and now focuses on counter-drone technology.

Because capitalist firms must continue to achieve valuations or dividend payouts *at an ever increasing rate*, merely generating profits is considered failure, and these firms will be targeted for sell-offs or takeovers. It doesn't matter if you make a good product at a good price; in fact it's not even necessary to have a real product. Many startups with huge valuations had completely fabricated products (theranos), illegal products (YieldStar), products based entirely on insider trading (prop betting) or pump and dump scams (meme coins), or unworkable business models that required a decade of massive subsidies in order to put market competitors out of business so they could achieve monopoly status and jack up prices (Uber, AirBnb).

US regulatory officials began tightening monetary policy in 2022 and signaled the end of the 'free money' era. Tech firms and their venture capital and private equity investors searched for other pools of easy money, and the pentagon budget functions as a huge slush fund with a history of coddling massive conglomerates, granting endless timeline extensions and guaranteeing large profit margins for even faulty equipment. The wars on Ukraine, Palestine and Iran – and rising tensions with China – are tailor made to

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convince Pentagon officials of the utility of military tech startups. In short order tech executives and their venture capital partners transformed themselves from software engineers to military strategists (or recruited off-the-shelf experts from the burgeoning ranks of under-employed military veterans). Tech industry scions churned out a flurry of white papers, expert panels, lecture tours, podcasts, op-eds and expos designed to convince planning and procurement officials that US tech was key to restoring US global hegemony and salvaging the military's reputation in the wake of humiliating defeats across the Middle East. This is precisely the language that tech executives repeat endlessly in their substantial public platforms: restoring American supremacy; unleashing American dynamism; dominating peer competitors; and safeguarding Western/Judeo-Christian civilization.

They also produce more fine-grained and technical appeals meant to convince potential sceptics in the US national security establishment. A white paper produced by one of the largest military tech-focused VC funds reads in part: "As general computing platforms become applicable to a host of defense applications, from programming autonomous behavior to conducting live targeting analysis, sweeping advances in software and other technologies not originally designed for defense have unintentionally compounded computing's impact on war.....*Responding to the paradigm shift requires reengineering the Pentagon's DNA for a new era.*" The authors emphasize that this reengineering will allow for a "reduction in operational complexity, driving lower costs through commoditization" with "smaller" "modular modern production" that uses "'just-in-time' manufacturing techniques like 3D printing to cut latency" allowing for "decentralizing a military's industrial footprint."¹ These talking points are virtually indistinguishable from what you would get if you asked a consulting firm like McKinsey to provide a blueprint for corporate reorganization of an office supply store or auto parts chain. Less than three years after this paper's publication, the language of commercialization, commoditization, decentralized production and cheap 'attributable systems' has become ubiquitous in the speeches of Pentagon officials and the regulatory changes implemented by Secretary of War Pete Hegseth. This convergence between tech and the Pentagon has continued apace, seen when [tech execs are anointed as Lieutenant Colonels](#) and a vast network of government and private sector initiatives expand – both intended to facilitate the incorporation of the tech industry into the US war machine.²

¹ The paper is authored jointly by a general partner (the money guy) and a deal partner, typically the one with relevant subject matter background, in this case a US military veteran;
<https://a16z.com/how-the-u-s-can-rewire-the-pentagon-for-a-new-era/>

² Initiatives from the state include the Pentagon's Office of Strategic Capital (created in December 2022 to provide emergency bail out funds to startups that the agency considers to have important military applications); the Small Business Investment Company/SBIC initiative; Defense Innovation Unit and the related Defense Innovation Board (a collection of executives and researchers from Silicon Valley elevated in October 2023 to a permanent department under the Secretary of Defense); Task Force Lima (on integrating AI into the MIC); and the expansion of "Other Transaction Authority", which enables the Pentagon to speed up the check-writing process by reducing oversight and regulatory controls when dealing with non-traditional suppliers. Industry innovations to facilitate financing for military tech include Erabor Bank; Leonid Bank; and Y Combinator's decision to open its incubator to military tech.

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Although much of the above has centered on the US, the militarization of tech and the expansion of AI-driven weapons is a transnational phenomenon. The single largest source of capital in Silicon Valley isn't the Pentagon, it's Saudi Arabia.³ Qatar and the UAE recently signed the Trump Administration's Pax Silica, which undersecretary Jacob Helberg has said marks "a shift from a hydrocarbon-centric security architecture to one focused on silicon statecraft." [can link to Eddie's piece if it's up here] Qatar, Saudi Arabia and the UAE have committed to investing over \$3.5 trillion dollars in the US over the next 10 years, the vast majority in AI, but also in weapons development and aviation. Qatar has already invested tens of billions in data centers, AI chip manufacturing, and AI firms like Anthropic and xAI. The UAE has invested \$40 billion in US data center company (Align), is perhaps the largest single investor in OpenAI, the major financial partner in the \$50 billion "Stargate" AI data center project (along with Nvidia and OpenAI), invested billions in Intel's modular AI chip manufacturer Altera, and promised hundreds of billions for AI energy generation projects.

Private Capital

Gulf petrodollar surpluses also likely underwrite much of the private equity and venture capital funds flowing into weaponized tech. Because these funds are exempt from SEC reporting requirements we only get occasional hints to whose capital is being invested by these fund partners. We know Jared Kushner's Affinity Partners fund was established with \$3 billion of Gulf investment because it was reported by investigative journalists. There are thousands of PE and VC funds investing petrodollar surpluses for which there is no meaningful information available. The UAE recently purchased a minority stake in Insight Partners (among the top 10 largest PE/VC firms, with close to \$90 billion in managed assets) through a Delaware-registered shell company named LLTCI SPV 5 LLC; which was only revealed as a result of a workplace lawsuit launched by an Insight Partners employee in 2025. Funds are also channeled through a wide variety of entities, not just sovereign wealth vehicles. For example, the King Abdullah University of Science & Technology recently gave \$200 million to a former manager of Panasonic's corporate venture capital arm to create a new fund, named Capital K LLC, with a mandate to invest in small US-based startups, a model likely replicated hundreds of times in the kingdom and other Gulf States using their own VC and PE funds, SWFs, Special Purpose Acquisition Companies (SPACs), and other channels. The datacenters needed for hundreds of thousands of AI-generated of targets in Gaza, Russia, Iran and elsewhere are likewise drawing tens-of-billions in investment from the Arab Gulf States. Even the Abraham Accords, pitched (unconvincingly) as a path to peace, is fundamentally about converging Gulf investment capital with Israeli military and surveillance firms. Chinese

³ Saudi state investment fund PIF has large investments in range of US military firms, including the military-tech firm Anduril (which has recently resulted in a joint venture partnership between KSA's MI conglomerate SAMI and Anduril); Saudi fund also has major investments in US VC firms that are themselves heavily invested in the MIC, including Andreesen-Horowitz's American Dynamism Fund and Peter Thiel's Founder's Fund as well as a huge range of smaller funds, including private equity funds.

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venture capitalists have likewise invested enormous sums in American start-ups, including those with military applications.

The very first venture capital firm in the US, American Research and Development Corporation (ARD), was [founded to profit from the new technologies developed for use in WWII](#). Weapons contractors like Lockheed et al have long had corporate venture capital arms that invest in startup firms and acquire smaller tech firms to integrate their products into existing weapons platforms. These corporate funds – and the parallel government VC funds such as In-Q-Tel (CIA), OnPoint Technologies (US Army), AFVentures (Air Force), and the Defense Innovation Unit (DIU) – further militarize the nature of production and technological development in the US economy. The rapid proliferation of new private equity firms and VC funds solely focused on weapons and intelligence firms, however, is a more recent innovation. Firms like Veritas Capital, Civitas Group, Arlington Capital Partners, Behrman Capital, and Paladin Capital specialize in investing in military startups, providing investment capital to fuel growth in weapons development and attract yet more private capital into the military sector. Long established marquee funds that control hundreds of billions of private investment, like Sequoia Capital, Andreessen Horowitz, and General Catalyst have also built out units exclusively focused on military tech investments.

Established private equity firms target not just small startups but some of the largest MIC firms. At least two firms ranked by SIPRI as among the world's 25 largest military firms (Peraton and Amentum) were [recently acquired by private equity firms](#). An analysis of Pitchbook data conducted by SIPRI concluded that 3,700 US-based arms companies were involved in market deals between 2000 and 2021; 25 per cent of those deals were funded by private equity. Most of these PE firms combine the government contacts of high-ranking military and national security retirees with investment bankers and their rolodexes of wealthy clients to raise capital for new funds designed to invest in military enterprises. This partnership is reflected in the growing number of military and national security retirees that headline their own PE funds without experience in finance or banking.

A similar pattern is visible in large sovereign wealth funds, particularly in oil-rich states that are expanding their domestic defense industries. Areas where investment has been particularly active include state surveillance and eavesdropping technology as well as machine learning (or AI) for weapons systems. These large sources of capital fund innovations for large prime contractors, who are increasing their corporate presence in places like the UAE, where new technologies will be co-developed with strategic investment from host states with the aim of circumventing export controls and other regulations. Such reserves of enormous capital surplus (made even larger by two decades of near-zero borrowing costs for large institutions) have accelerated the development of many military technologies and fast-tracked the formation of domestic defense industrial bases in many countries of the Global South. Their ability to harness the income from oil exports and sovereign wealth returns to create new nodes for

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defense technology development is testament to the role that finance can play in driving industrial futures. The truly global nature of capital (which, unlike humans, has virtually zero barriers to cross-border movement) has generated transnational relationships between capital and weapons that defy even the stated priorities of great power governments. Financing from huge investors like Goldman Sachs and Sequoia Capital flowing into Chinese firms with military applications – and large financial flows from Chinese investors into US defense-tech firms – suggests that the imperatives of capital supersede the grandest geopolitical rivalries.⁴ Wars feed into the growth of weapons firms' stock prices as well as the expansion of private markets: the confrontation between Russia and the US over Ukraine [damaged public markets and public investment, driving global wealth further into private markets](#). More recently, the US-Israeli War on Iran has driven up bond yields (and therefore borrowing costs for governments) and accelerated flight from the US dollar. The cycle of militarization, violence, public austerity and private accumulation is self-reinforcing.

Conclusion: How these Factors Work Together

These features, combined with a highly interventionist US foreign policy establishment and widespread deregulation of all industry⁵ has produced a massive military industrial complex, an emphasis on militarized innovation in other parts of the economy, and a financial sector both eager to capitalize on military expansion and increasingly influential in our political economy. Venture capitalists are grafting their model (hype cycles, fictional valuations, and extremely condensed timelines) onto the military industrial tech sector for the benefit of private market players. Their goal is to (in their own words) 'exit through the state': to find startups with weaponizable tech, raise funds for prototyping, secure huge valuations, and land lucrative Pentagon contracts so the firms in their portfolios can either go public or raise more investor cash through private markets.

Either route promises massive payouts, but this pathway had to be intentionally engineered. Historically, venture capital returns when commercial/consumer digital technology firms went public have been huge – ten or fifteen times the initial investment. The returns for defense tech startups were very small – one or two times the initial investment, because typically the large prime contractors (Lockheed et al.) acquired small startups directly at low prices. Because the defense industry is

⁴ California-based [Intel Capital](#) and [Alpha Intelligence Capital](#) in Luxembourg (IOL 834) have been major investors in biometric technologies and Chinese artificial intelligence firms, such as [SenseTime](#) (IOL 825), which have been increasingly sought after by Western web giants and universities looking for research partnerships.

⁵ Among others: the 1979 repeal of the so-called 'prudent man' rule that prohibited pension/retirement and endowment funds from investing in speculative assets; the continued reduction of the capital gains tax rate and other loopholes that have produced an [effective rate of roughly 8% for those who derive most of their wealth from capital earnings](#) (compared to 40% for high-income individuals who derive most of their wealth from wages).

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consolidated with high entry barriers, there may be only one potential contractor that can use the new tech developed by startups, and industry collaboration also worked to keep those acquisition costs low. Because the big prime contractors are traded on public markets, they often get dinged by Wall Street if they're frequently shelling out cash to acquire startups. What Wall Street wants isn't necessarily expansion of product lines, hiring, or innovation; they want the firm to use its capital for stock buybacks to drive up shareholder payouts.

Transforming this existing model of weapons development necessitated an extensive and lengthy campaign of influence operations. Tech executives and their investor partners had to change how militaries think of provisioning war, defining what weapons are needed, and who the enemies are. Equally important, they had to develop a compelling and totalizing narrative about how investors, software engineers, and tech executives constitute the alliance necessary to arrest US imperial decline, restore the country's manufacturing base, secure the raw materials and rare earth minerals necessary for high-tech weapons systems, and safeguard Western Civilization from both the woke mob and alternative power centers emerging in the Global South. The shortage of lower-tech munitions and cheap drones available to the US and its allies in the wars in Ukraine and Iran have played perfectly into this narrative. However, the low-cost, high volume weapons promised by Silicon Valley often depend not on emerging startup tech but from suppliers in the Global South. The Low-Cost Uncrewed Combat Attack System (LUCAS) drones US officials are citing as the answer to Iran's large drone stockpiles are reverse-engineered models based on Iranian drones recovered from Ukraine. A much-hyped American production site for 'cheap' (\$4,000/each) MK-80 series bombs that opened in a decommissioned General Dynamics facility Texas in 2025 is in fact a fully-owned subsidiary of a Turkish military producer, and the majority of the Pentagon's approved list of US commercial drone suppliers meant to enable drone 'swarming' operations contain cameras, motors, chips or batteries from Chinese suppliers.

This historical moment of convergence between technological development, global finance capital, and the US war machine seems poised to drive greater militarization of the global economy and a more aggressive US approach toward the world. The extraordinary accumulation of surplus capital at the very top of the income spectrum is a manifestation of extreme wealth inequality. Capital is so concentrated that it needs to chase viable investment options due to a combination of the need for valorization with declining public investment in non-militarized sectors like infrastructure and social programs. Under these conditions, the military industrial complex becomes a key target sector for asset managers and other agents of private finance.

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