

Cato Institute Policy Analysis No. 171: Pentagon Myths and Global Realities: The 1993 Military Budget

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Executive Summary

The fall of the Berlin Wall and the subsequent collapse of communism represent a clear-cut victory for the United States in its four-decade struggle against the USSR. As the Soviet threat has disappeared, many Americans have been calling for a cut in military spending--the so-called peace dividend. The Bush administration has recently released its proposed strategies for the defense of the United States in the post-Cold War world. Statements by President Bush, Secretary of Defense Richard B. Cheney, Chairman of the Joint Chiefs of Staff Gen. Colin L. Powell, and other officials allege that the military fully understands the implications of the end of the Cold War and has responded by presenting a budget proposal that is much leaner than previous budgets. The figures are based on a new strategy designed to replace the doctrine of containment that has served as a blueprint for U.S. planning since the late 1940s. Despite the rhetoric of the administration, however, it is clear that the proposals represent very little new thinking. Instead, they simply redirect U.S. efforts at global containment to a variety of regional contingencies.

The DOD Numbers

The administration has gone to some lengths to argue that the current cuts in military spending are significant and represent an adequate peace dividend. In his State of the Union Address, Bush warned Congress that the cuts would be "this deep, and no deeper." The statistics presented by the administration are worthy of close examination. The proposed fiscal year 1993 defense budget calls for spending \$281 billion. Military spending remains roughly constant through 1995, then rises to \$290.6 billion in 1997, the final year considered.[1] Essentially, the Bush administration plans to reduce military spending in real terms by about 4 percent per year through 1997 instead of the 3 percent it originally projected after the events of 1989. The revised budget figures represent a cumulative real decline of 35 percent between 1985 and 1997.

Department of Defense statistics show that defense spending as a proportion of federal outlays has declined consistently since the 1950s (except during the Vietnam War and the Reagan build-up of the early and middle 1980s), a trend that will continue in the 1990s. The DOD presents statistics showing that defense outlays as a share of the nation's gross national product have declined (with the same exceptions). That percentage is currently around 5 percent, and it is scheduled to fall to 3.5 percent in 1997.[2] The DOD also points out that national defense--unlike payments to individuals, the principal component of domestic spending--is becoming an ever-smaller portion of the federal budget.

The military intends to effect the cuts by making a number of structural changes. Manpower is being reduced throughout the defense sector. From its post-Vietnam peak of 2.2 million in 1987, the active duty force is scheduled to fall to 1.6 million by 1995, a reduction of about 25 percent. Reserve and civilian personnel are to be reduced by about

20 percent. A number of major weapons programs-- including the B-2 bomber, the Minuteman III intercontinental ballistic missile, the Seawolf submarine, the Comanche helicopter, and the air defense anti-tank system--have been scaled back or eliminated. The DOD has also implemented a new approach to acquisitions that is designed to save money and maximize the effectiveness of weapons. More time will be spent developing and evaluating weapons. Fewer systems will go into full-scale production, but those that are developed should, in theory, be the most efficient possible. Upgrading current weapons, instead of developing costly new systems, is stressed when appropriate. Research not tied to specific programs, however, will continue, thus providing the United States with a strong base from which to introduce new systems. Those changes are designed to allow the military to reduce expenditures yet maintain the ability to carry out its strategic mission.

Numbers the DOD Does Not Mention

All of the statistics previously cited are either misleading or largely irrelevant to a meaningful discussion of military spending. Attention has been drawn to the fact that defense expenditures are becoming a smaller portion of both GNP and the federal budget. Neither fact is pertinent to determination of the defense budget. The GNP statistic reveals only the burden placed on the U.S. economy by military spending; it tells nothing about the amount of money that should be spent on defense. Proper levels of spending can be determined only by examining America's security interests, evaluating the potential threats to those interests, and striking a balance between the nation's resources and commitments. Under some conditions, the United States might need to devote a large percentage of its GNP to ensuring its security. Under other conditions, a small percentage would suffice. Thus, it is irrelevant that military spending as a percentage of GNP is falling. A military budget must be developed on the basis of the nation's security needs, not the size of its economy.

Furthermore, the decline of military spending as a percentage of GNP reflects primarily the tremendous growth of the American economy since 1960. The GNP of the United States in 1960 was \$1,655.3 billion (constant dollars) compared with a 1989 GNP of \$4,117.7 billion.[3] Given that economic expansion, it is not at all surprising that military spending has fallen as a percentage of GNP. Indeed, it would have been astonishing if such a decline had not occurred--despite the spending appetites of Pentagon officials.

The DOD does not provide what is perhaps the most useful indicator of the size of the current military budget. According to the Congressional Budget Office, measured in real terms, defense spending is roughly the same now as it was in the early 1960s, at the height of the Cold War (Figure 1). If approximately \$280 billion was sufficient when the United States faced an adversary of great size and strength, it surely exceeds U.S. security needs now that the Soviet Union has collapsed.

Figure 1

National Defense Outlays

Source: "The Economic Effects of Reduced Defense Spending," Congressional Budget Office, February 1992. (Graph Omitted)

The comparison of military expenditures with total federal outlays is equally meaningless. Federal expenditures in 1960 totaled \$92.2 billion, in contrast with \$1,323 billion in 1991.[4] Defense spending simply declined as a percentage of that spending because other portions of the federal budget soared. Similarly, the DOD's assertion that the ratio of defense spending to federal payments to individuals has decreased is irrelevant. Although the DOD is technically accurate, it neglects to mention that, in real terms, transfer payments to individuals have increased dramatically over the years. The United States spent \$87.8 billion (1987 dollars) in 1960 on payments to individuals; that figure soared to \$542.6 billion in 1991.[5] Again, the Pentagon's statistic demonstrates only the explosive growth in payments to individuals, not a reduction in military spending. The latter merely increased at a less egregious pace than did domestic spending.

Another flaw in the DOD statistics is that the analysis on which they are based covers a time period that was carefully chosen by the Pentagon. To demonstrate that the defense budget is indeed falling, the DOD uses either FY 1985 or FY 1987 as the base year for most of the raw numbers. That is inherently misleading since the early and middle 1980s witnessed a tremendous increase in military spending. Spending for defense and international programs rose from

\$146.7 billion in 1980 to \$293.6 billion in 1987 (current dollars).[6] In real terms, the Reagan administration's defense budget for FY 1987 represented more than the United States had previously spent in any one year, even at the height of the Vietnam War.[7] As the Bush administration moves military spending to more "normal" levels, the appearance is created that drastic cuts are being made. In essence, however, the United States is simply returning to business-as-usual Cold War figures.

The statistics are skewed at the other end of the time period as well. DOD projections end in 1997, when the budget would be \$274.6 billion (1992 dollars), but the Congressional Budget Office has released a study that examines probable military spending through the year 2010, and its analysis shows a very different outcome. The CBO estimates the amount of money that will be needed to maintain the Base Force concept, which will serve as the guide for future defense spending. It assumes that military manpower will remain roughly constant and that weapons systems will be maintained and modernized. The study concludes that "substantial increases in funding could be required in the years beyond 1997 to maintain and modernize the Base Force under the administration's plans." [8] According to the CBO, by the middle of the next decade, annual military spending (1992 dollars) will exceed 1997 levels by \$20 billion to \$65 billion (Figure 2).

Figure 2
Budgetary Implications of the Administration's Plan (National Defense Budget Authority)
Source: Fiscal Implications of the Administration's Proposed Base Force," CBO Staff Memorandum, December 1991. (Graph Omitted)

The main reason for the increases would be the need to replace aging equipment. Much of the savings in the 1993-97 period is derived by postponing modernization and replacement. During the next decade, the CBO argues quite convincingly, both modernization and replacement must occur. The \$20 billion estimate assumes that acquisition costs will be similar to those of the recent past. The \$65 billion estimate, on the other hand, assumes that costs of weapons research and development will rise. The CBO suggests that the latter is the more likely because increasingly sophisticated weapons tend to be increasingly expensive. Thus, even the meager peace dividend outlined in the Bush administration's current proposal will be very short-lived. If the Base Force concept is adopted, costs will rise significantly after 1997. The result is likely to be military budgets similar to those of the 1980s--only this time during a period in which the United States has no serious military competitors. It is no wonder that the DOD chooses to use 1997 as the final year in its studies.

The Burden of Defending the World

Since the early days of the Cold War, the United States has built a series of alliances to combat global communism. That alliance structure has resulted in America's bearing a greater burden of the costs of military protection than do its allies. During the Cold War era, Washington's concern with containing Soviet power perhaps justified such expenditures, but the far-flung network of U.S. military commitments is now without an enemy, save the nebulous ones of instability and the unknown. Even with the downsized military proposed by the Bush administration, the United States will incur high costs to defend an array of allies against a nonexistent enemy. For example, the United States will spend an estimated \$90 billion to \$100 billion this year on its NATO commitment to defend Europe.[9]

That is a tremendous expenditure, especially when one remembers that the original purpose of NATO was to deter the Soviet Union and its Warsaw Pact allies, a danger that has evaporated. Furthermore, our European allies spend relatively less on defending themselves than we do. Figure 3 shows that, on a per capita basis, in 1990 the French spent \$759 on defense, the British \$670, and the Germans \$550, whereas an American was required to ante up \$1,208.[10]

Although the Soviet Union spent an enormous percentage of its GNP on the military, defense spending in the Commonwealth of Independent States is expected to fall to 6 percent of GNP, less than half of previous Soviet levels.[11]

Figure 3
1990 per Capita Defence Expenditure (U.S. Dollars)
Source: Tom King, Statement on the Defence Estimates: Britain's Defence for the 90's (London: Her Majesty's Stationary Office, 1991).

Even in the unlikely event that the Russian Republic were able to reassert central control over the empire, Moscow would find it very difficult to mount a conventional attack against Europe. The main threat under such a scenario would be nuclear--a concern best dealt with by continuing to assist in the dismantlement and destruction of Soviet weapons. Cold War-sized U.S. defense budgets would have little impact on that process.

Signs of disarray within the military of the former Soviet Union suggest that the conventional threat has largely disappeared. The CIS army, 4 million strong in 1989, will probably number 2 million within the year.[12] In addition, there are clear signs that the CIS may not maintain a unified force. Col. Gen. Pavel Grachev, President Boris Yeltsin's top defense aide, has recently announced a longterm plan that will reduce Russia's military force to be tween 1.2 million and 1.3 million personnel, a smaller force than the U.S. Base Force.[13] Those troops would be assigned defensive positions, a major shift in strategic thinking.

Morale is low among the remaining troops, training has been reduced, and equipment is in disrepair. Desertion and draft evasion are reported throughout the nations of the CIS.[14] In addition, the military budget has been cut by as much as 80 percent for weapons and supplies and up to 30 percent for research and development. Such factors explain the statement made by Lt. Gen. James Clapper, head of the Defense Intelligence Agency, that the former Soviet Union "will have no capability to directly threaten the United States and NATO with large-scale military operations." [15]

U.S. defense spending in the absence of an identifiable global threat is particularly disturbing when the expenditures of other countries are examined. The United States pays much more for defense than does any other modern industrial state (about 5 percent of GNP). That disparity is strikingly clear if one examines the defense expenditures of the two countries whose economies are the second and third largest in the world, Japan and Germany. The Japanese spent about \$32.9 billion on defense in 1991, a figure that represents barely 1 percent of gross domestic product.[16] The German military budget is about \$34.4 billion, or 2 percent of GDP.

It is particularly interesting that Germany is implementing significant cuts in defense expenditures and Japan is contemplating such reductions. The German government has approved a plan to reduce the size of the Bundeswehr from 495,000 to 370,000.[17] That reduction involves eliminating 4 of the army's 12 divisions and 20 of its current 48 brigades. In addition, the air force's Alpha Jet fighter bomber will be taken out of service, and the navy will be reduced from 180 to 90 "seaborne units." Forty-six thousand civilian defense jobs will also be eliminated. The expected savings arising from those cuts is DM 43.7 billion (about \$27 billion) between now and the year 2004. Such reductions in a military that is already vastly smaller than that of the United States should put to rest the notion of a rearmed Germany's threatening anyone militarily in the foreseeable future.

Similarly, Japanese prime minister Kiichi Miyazawa has announced that cuts in defense spending are being considered.[18] Japan has already reduced planned increases in military expenditures, and next year's defense budget is expected to rise by 3.8 percent, the lowest increase in over 30 years. Those changes are the result of the end of the Cold War. According to Miyazawa, the current military budget, formulated in late 1990, fails to reflect recent changes in the international situation. America's two main competitors in the economic arena are either cutting defense spending or planning to do so, which suggests that a military threat from either country is highly unlikely.

National Military Strategy

As defense analyst Earl C. Ravenal points out, "A defense budget represents a view of the world and of the place and role of a nation in that world." [19] Thus, it is important to examine the assumptions underlying U.S. military expenditures. Washington's military strategy is moving away from the global focus of the Cold War toward a new regional emphasis that assumes the United States must be prepared to counter a variety of local threats instead of a worldwide communist enemy. According to the Joint Chiefs of Staff's "National Military Strategy" (1992), "The United States must maintain the strength necessary to influence world events, deter would-be aggressors, guarantee free access to global markets, and encourage continued democratic and economic progress in an atmosphere of enhanced stability." [20] Stability is the overwhelming theme of the new doctrine and represents the Bush administration's answer to uncertainty in a rapidly changing world. "The threat is instability and being unprepared to handle a crisis or war that no one predicted or expected." [21] According to the administration's policy assumptions, the

United States must be prepared to thwart aggression in every situation that threatens the "vital" interests of the nation. Unfortunately, those vital interests are defined very loosely.

The "National Military Strategy" details the four main components of U.S. military planning: Strategic Deterrence and Defense, Forward Presence, Crisis Response, and Reconstitution. The centerpiece of the new concept of strategic deterrence is the Global Protection Against Limited Strikes (GPALS) system that represents a shift in Strategic Defense Initiative planning to meet a regional, not a global, threat. The new system is designed to protect the United States and its allies from limited strikes, not from a massive nuclear exchange. The United States would also maintain a significant number of strategic nuclear weapons, although substantial cuts in the arsenal are being discussed. Forward Presence refers to the need to continue deploying U.S. troops in key regions of the world. That presence would allow the United States to respond to threats to stability from any area of the globe. Crisis Response is an even broader mission that suggests that the United States must be prepared to respond to any contingency anywhere in the world. In addition, the DOD recognizes that aggression might not be limited to just one area of the planet; thus, the United States must have adequate forces to counter a number of potential adversaries simultaneously. Reconstitution refers to the necessity of maintaining U.S. ability to develop a much larger military force should another expansionist superpower arise and threaten the world.

Those components of U.S. military strategy are predicated on the goal of maintaining stability in a dangerous world. There are, however, a number of fundamental problems with the new regional outlook. One of the more significant flaws is the loose definition of areas that are "vital" to U.S. interests. The regional strategy appears destined to lead the United States into conflicts that clearly involve no more than peripheral U.S. interests. Generally, the DOD is quite vague about areas of possible conflict. In classified documents leaked to the media, however, Pentagon planners detailed seven scenarios for regional conflicts.[22] Perhaps the most dangerous involved a resurgent Russia's invading Lithuania and being repulsed by a U.S.-led NATO counterattack. The clear implication is that Lithuania is an area of vital interest to the United States. That assumption is extremely dubious when one considers that Lithuania was totally dominated by the Soviet Union for 50 years--a tragic situation for the Lithuanian people, but one that did not seem to impair vital U.S. interests. Although it is certainly preferable that Lithuania be a free and independent state, that objective is not central to the security of the United States. Lithuanian independence is not worth the risk of a major conflict between states heavily armed with nuclear weapons. Taking such a risk would be both illogical and dangerous.

A number of the other scenarios suggest equally disturbing assumptions. Pentagon planners imagine the possibility of a rearmed Iraq's invading Kuwait and northeastern Saudi Arabia. That scenario assumes that Iraq would purchase major amounts of military hardware and become, once again, the dominant power in the region. The DOD ignores the financial and logistic difficulties of rearmament and apparently dismisses both the Saudi military and the military might of other states in the region as factors that would inhibit Iraqi expansion. The Saudis maintain a small but high-tech military that would certainly challenge the invading Iraqis. Other states in the region, notably Israel, Turkey, Egypt, and Iran, would be unlikely to allow Iraq to dominate the Arabian Peninsula. Even if Iraq were able to rearm, there would be ample warning of its intentions. Justifying enormous military expenditures to counter an Iraqi threat, or similar threats, is highly problematic.

"Defense Planning Guidance for the Fiscal Year 1994- 1999," another document recently leaked to the media, further clarifies DOD intentions. That study asserts that the U.S. role in the new world order should be to ensure that no rival superpower emerges. The key to achieving that goal is to "sufficiently account for the interests of the advanced industrial nations to discourage them from challenging our leadership or seeking to overturn the established political and economic order." [23] The two main objectives inherent in the plan are to prevent the emergence of a new global rival and to address "sources of regional conflict and instability in such a way as to promote increasing respect for international law, limit international violence, and encourage the spread of democratic forms of government and open economic systems." [24]

The first objective is easily achieved for the near future since the powers that have the industrial base to challenge the United States militarily are in disarray or uninterested in territorial expansion. It is clearly not a goal that requires nearly \$300 billion a year in military expenditures. Achieving the second objective--preventing regional conflicts--requires much more effort. Although the planners explicitly state that the United States will not be the "world's policeman," the document outlines precisely that role. The elaborate system of alliances and military guarantees built

up over the last four decades to combat communism sets the stage for U.S. involvement in virtually every area of the world. Indeed, the DOD argues that threats "are likely to arise in regions critical to the security of the United States and its allies, including Europe, East Asia, the Middle East and Southwest Asia, and the territory of the former Soviet Union. We also have important interests at stake in Latin America, Oceania, and Sub-Saharan Africa." [25] In other words, potential challenges await the U.S. military on every continent with the exception of Antarctica.

The central problem with linking defense spending to a quest to deter instability is that there is almost no limit to the number of potentially destabilizing situations in which the United States might feel obligated to intervene. During the Cold War, the intelligence agencies provided estimates (of questionable accuracy) of the strength of the Soviet Union and its client states. Those estimates, however flawed, allowed military planners to come up with specific requirements for countering the Soviet threat. Under the regional strategy, the only limit to sources of potential instability is the imagination of Pentagon officials. Every region of the world has its ethnic and territorial disputes. To achieve stability throughout the world, the United States must be prepared to intervene repeatedly to halt conflict and maintain the status quo. That is a task that goes well beyond legitimate American security requirements.

By making stability a major goal of U.S. security policy, the administration seems to be suggesting that change in the international arena must occur only on American terms. If changes are in conflict with perceived U.S. interests, the United States will presumably seek to prevent or reverse them. Throughout history, however, change has occurred in the international system, and there is no reason to believe the system will be any different in the future. Furthermore, changes have typically been accompanied by turmoil and upheaval, not order. U.S. foreign policy must have the flexibility to accommodate various transformations in international politics. A policy based on an obsession with stability is particularly ironic in an era of transition. In the new international system, it will be impossible to maintain order throughout all regions. Furthermore, instability already reigns in many areas of the globe where ethnic conflicts, border disputes, insurgencies, terrorist threats, and other potentially destabilizing forces persist. The U.S. commitment to stability suggests that the nation must be prepared to intervene in many instances to maintain the status quo even though change of one kind or another is inevitable. That is a dangerously short-sighted policy.

Congressional Alternatives to the Bush Proposal

Some members of Congress do not support the Base Force strategy as it is currently outlined. A number of prominent congressional leaders have called for defense budgets that are lower than that envisioned by the president. House Armed Services Committee Chairman Les Aspin (D-Wis.), for example, has presented a number of alternatives to the Bush proposals. The scenarios envisioned by Aspin range from a military budget of \$295 billion (\$15 billion savings through 1997) to a significantly smaller one of \$231 billion (\$208 billion savings through 1997). He personally favors a \$270 billion proposal that would save approximately \$91 billion over the five-year period. [26]

Although his alternatives represent significant cuts in comparison with the Bush administration's proposal, Aspin clearly relies on the same strategic policy. The threats to American security delineated in his defense alternatives are quite similar to those outlined by the Bush administration. Aspin, after clearly dismissing any conventional threat from the CIS in the near future, defines the new mission of the armed forces as countering regional aggressors, combatting the spread of nuclear and other weapons of mass terror, fighting terrorism, restricting drug trafficking, keeping the peace, and assisting civilians. [27] Though worded somewhat differently, those are the same goals described in the 1992 "National Military Strategy." His plan is intended to achieve the same ends as the administration's plan--by using supposedly more efficient methods. Aspin suggests cutting the overall number of military forces but strengthening the means of projecting a "leaner" military overseas. For example, he would allocate more resources to the military's sealift capability.

Though the savings associated with his proposal would certainly be beneficial, Aspin offers no alternatives to current military strategy. There seems to be an automatic assumption that the United States must be prepared to intervene throughout the world to ensure that Washington's concept of "stability" is maintained. Aspin's preferred proposal, for example, would allow U.S. forces to "fight another Persian Gulf War, assist South Korea in repelling an invasion by North Korea and support 'a simultaneous third contingency' similar to, say, the 1989 invasion of Panama." [28] Even the leaner Aspin alternative to the Bush defense budget, then, embraces the policy of global military intervention.

Sam Nunn (D-Ga.), chairman of the Senate Armed Services Committee, has proposed a reduction that is less dramatic than Aspin's.[29] Senator Nunn's plan would cut defense spending by \$85 billion over the five-year period. While not fully articulated, Nunn's proposal is aimed at maintaining the Base Force with less money. "By eliminating these redundancies and streamlining the support and overhead structure of the Defense Department, it will be possible to maintain the combat capability of the base force at lower budget levels." [30] The Nunn plan calls for scaling back commitments to Europe and reducing operating expenses, such as those of ship deployments and flying time for military aircraft.

Nunn's alternative would maintain next year's spending at the level proposed by the Bush administration. He opposes further cuts in the FY 1993 defense budget because of the effect on military personnel and defense workers, and he suggests that any savings beyond those afforded by the Bush plan should be achieved after 1993. Though the details appear somewhat different from those of Aspin's proposal, the overall thrust is quite similar.

The congressional plans differ from the White House plan, however, in their insistence that the United States can achieve its goals more efficiently and at less expense. Such proposals would still require a large military budget, even if it were somewhat smaller than the Bush administration would prefer.[31] Changes in the overall thrust of U.S. military strategy, despite the supposed recognition that the Cold War has ended, are not even being considered in establishment policy circles.

Furthermore, Congress has been reluctant to adopt even minor reductions in the defense budget. Paralyzed by concern that deeper cuts would adversely affect the economy during a recession (and election) year, the Senate rejected an amendment by Sen. J. James Exon (D-Neb.) that would have reduced military spending by about twice as much as the president's proposal.[32] That vote means that the Senate has basically endorsed the Bush administration's defense budget. The House adopted a budget resolution that would reduce military expenditures to \$275 billion, slightly less than the \$281 billion requested by the administration. While the exact figure is still to be worked out, it is clear that defense spending will not be reduced by any significant amount in FY 1993.

A Real Alternative

The Bush administration's proposal for reducing defense expenditures simply brings military spending back to "normal" Cold War levels. It does not represent a decrease that is commensurate with the collapse of the Soviet empire, the main antagonist of the United States for over four decades. Even the modest reductions that have been proposed will end in a few years as spending to maintain the Base Force increases after FY 1997. It is ludicrous for the United States, in the post-Cold War era, to continue to spend significantly more on defense than all of its G-7 allies combined.[33]

The underlying problem of profligate U.S. military spending is a national security strategy that commits the United States to maintaining stability throughout the world. Once that premise is accepted, large military expenditures must inevitably follow. Most alternative proposals decrease projected budgets somewhat more than President Bush intends but accept the basic strategy outlined by the Pentagon.

In some respects that approach can be more dangerous than the administration's strategy. Ravenal argues that the funding levels suggested in many recent proposals, from both Congress and various think tanks, will not support the forces they are meant to.[34] Such military plans are apt to leave the United States with substantial commitments but a hollow force incapable of carrying out its mission. If the United States is to enjoy a legitimate peace dividend, the current strategic vision must be revised. A revision will not only provide substantial savings, it will eliminate the risk of becoming involved in peripheral conflicts for which U.S. forces are not prepared.

A fundamental feature of a new security policy should be renunciation of the reflexive desire to intervene militarily whenever crises arise. The policy of intervening in areas of dubious value to the United States has been costly and often counterproductive, as events in Vietnam and Iran (the CIA-directed coup that temporarily restored the Shah to power) demonstrated. The alternative to that approach is to strictly define the security interests of the United States. To be a threat to a vital interest, an external development must be truly life threatening to the Republic.[35] The emergence of a global military power with an expansionist ideology would constitute such a threat. A threat to vital interests could also take other forms, but currently the only challenge of that magnitude would come from hostile states

armed with nuclear weapons. However, that menace is best met through development of the GPALS system and multilateral efforts to control nuclear technology and weapons proliferation. An enormous standing army will do little to provide a credible deterrent to a renegade party armed with nuclear weapons.

A strategy based on a rigorous definition of vital interests would mean that the U.S. military would intervene only where critical threats developed. Such a policy would allow the United States to reduce security commitments throughout the world.

There is also an alternative to a strategy of global intervention for dealing with regional aggressors that do not threaten vital interests. The United States need not draw back into complacent isolationism. A political and diplomatic approach would encourage regional solutions to regional problems. If a local power threatened its neighbors, the United States could encourage the formation of coalitions to counter the aggressor. That policy would not require massive U.S. military assistance; instead, it would rely on traditional theories of international relations that suggest countries will band together to face an aggressor. Instead of perpetuating inflexible alliances that lock the United States into defending particular countries, the policy would be much more flexible, allowing for change and adapting to specific situations that arose. Other diplomatic approaches could include multilateral efforts to control arms sales to the regions considered most dangerous.

Trade and commerce can have a great influence on international relations. Access to U.S. markets can be extremely important in the development in other countries of a stable, entrepreneurial class sympathetic to American ideals. Though economic development does not necessarily lead to democracy, it is a significant catalyst. Thus, an expansion of economic contacts with other countries would help the United States to prosper and encourage those foreign elements that are most likely to promote liberal values abroad.

U.S. policymakers must realize that force, whether it be military or economic, is becoming more and more costly as a foreign policy option. The political fragmentation after the fall of the Berlin Wall, and the concomitant resurgence of nationalism, has raised the price of military intervention. As states become increasingly independent and assertive, they are much more likely to resist foreign military intervention. The growth of economic interdependence has also raised the price of intervention. Though the impact on the foreign country would be immense, an economic embargo against a major industrial power would be potentially devastating for the U.S. economy. A trade war between the United States and Japan, for example, would be terribly destructive for both sides.

In formulating a long-term foreign policy strategy, the United States should rely on means other than force to get other countries to do what it wants. Harvard political scientist Joseph Nye differentiates "soft" or co-optive power from the hard power of military or economic coercion.^[36] He defines the former as the ability of a country to get others to want to do what it wants them to do. Culture, ideology, and the influence of international institutions are becoming increasingly important in foreign policy. In addition, the value of world public opinion, which the United States can certainly help to shape, should not be overlooked. Actors on the world stage are clearly influenced by public opinion. Amnesty International, for example, has demonstrated that an organization with no ability to impose military or economic sanctions can alter the behavior of governments.

American ideology--especially the image of the United States as a symbol of democracy, limited government, and individual rights--is quite potent. For example, it is far more likely that the Chinese students erected a replica of the Statue of Liberty in Tiananmen Square because of their belief in the ideal of freedom rather than any expectation of U.S. military intervention. The same was true in the nations of Eastern Europe during the revolutions of 1989-90.

Perhaps the single most important thing we can do to influence others through soft power is to strengthen the appeal of our own ideology. Massive government deficits, dissatisfaction with political leaders, economic recession, failing schools, urban violence, and other serious problems detract from the image of the United States a "city on a hill." If the United States is to serve as an example to others, such issues will have to be addressed. A \$300 billion Pentagon budget will do little to increase U.S. soft power.

A world in which most of the actors believe in democracy and liberal economics would be a less threatening place. International agreements such as the General Agreement on Tariffs and Trade, though certainly not perfect, tend to

embody those shared values. The United States, through its influence in such organizations, can help to shape the international agenda.

American culture, for better or for worse, is enormously attractive to people throughout the world. The exportation of American pop culture has grown tremendously in recent years. U.S. movie studios, for example, earned \$1.7 billion in 1990 from film rentals in overseas markets, up from \$620 million in 1985.[37] Similar trends exist in television programming, music, books, and magazines.

Cultural forces may seem weak compared with military power, but that is not necessarily the case. The Iranian government newspaper Salaam, for example, warned recently that trade in videocassettes was "the means by which America is trying to kill our revolution." [38] Commenting on the power of culture to influence others, political scientist Benjamin R. Barber writes: "Culture has become more potent than armaments. What is the power of the Pentagon compared with Disneyland? Can the Sixth Fleet keep up with CNN? McDonald's in Moscow and Coke in China will do more to create a global culture than military colonization ever could." [39] Regardless of what one thinks of McDonald's or Disneyland, it is clear that ideas have great power. The United States can certainly bring to bear significant influence without resorting to military intervention. However, strategies based on soft power require a long-term commitment to foreign policy goals, not simply a reflexive desire to intervene in every development in the international arena. The challenge for policymakers is to devise creative and effective policies that foster a restrained vision of the national interest.

The United States could achieve a real peace dividend if the current emphasis on military intervention were discarded. Military spending levels, designed to counter a global enemy, could be significantly reduced. The United States could reduce defense spending by about one-half over the next several years and more than adequately protect national security interests.[40] Military expenditures of approximately \$150 billion (1992 dollars) would support a force of 1 million personnel including 6 Army divisions, 2 Marine divisions, 11 Air Force tactical air wings, and 6 carrier groups with 5 air wings. In addition, a credible nuclear deterrent could be maintained and funding for GPALS and other research programs continued. An appropriate budget would also include funds for the intelligence services, albeit at a reduced level. A \$150 billion U.S. military budget would still be over four times larger than that of any other industrial power. It would allow the United States to guarantee its territorial integrity, maintain its place as the world's dominant naval power, and continue the development of new technology as a hedge against a resurgent global threat.

The proposed reduction would require disengaging from many of our overseas commitments and demobilizing U.S.-based forces designed specifically to fight Soviet aggression on foreign soil. Deployment of massive numbers of American personnel in Europe and East Asia to counter an enemy that has disappeared is an obsolete tactic. Weapons developed to counter the Soviet threat, such as the Seawolf submarine and the B-2 bomber, would also be eliminated. The resulting peace dividend could be returned to those who paid for the U.S. share of the Cold War in the first place: the American people. Resources would be allocated to economically productive uses instead of unproductive military spending.[41] Dollars not spent on obsolete submarines or missiles, items that do not contribute to further economic development, would go to economically productive areas such as investment or consumption. The result of a reallocation would be a dramatic upsurge in the U.S. economy, the true foundation of American power.[42]

Conclusion

The United States has an opportunity to achieve a real peace dividend. Cuts in military spending, however, must reflect a new vision of defense strategy. Washington must curtail its reflexive desire to intervene in disputes that do not threaten vital interests of the United States. Military expenditures will have to remain roughly constant if the nation intends to play the role of world policeman. If spending is cut dramatically while commitments remain the same, the United States runs a serious risk of becoming involved in costly conflicts for which it is not adequately prepared.

There is a real alternative. The United States can reformulate its national military strategy to reflect the demise of the Soviet threat. Without a global military competitor, the United States would not need to intervene in every local dispute. Regional powers would be allowed to provide for their own security as they saw fit. The United States would remain the predominant military power, but its focus would be on directly protecting U.S. vital interests. That new military strategy would produce a legitimate peace dividend and vastly reduce the chances that the United States would

be drawn into a conflict that was peripheral to its national interests.

Notes

- [1] Figures are drawn from Steven Kosiak and Paul Taibl, "Analysis of the Fiscal Year 1993 Defense Budget Request," Defense Budget Project, Washington, D.C., March 11, 1992. The numbers (in current dollars) represent budget authority for the Department of Defense, the Department of Energy, and other defense-related activities.
- [2] DOD statistics from Richard Cheney, Statement before the House Foreign Affairs Committee, March 4, 1992.
- [3] U.S. Bureau of the Census, Statistical Abstract of the United States: 1991, 111th ed. (Washington: U.S. Government Printing Office, 1991), p. 431. The numbers represent constant 1982 dollars.
- [4] Budget of the United States Government: Fiscal Year 1993 Supplement (Washington: U.S. Government Printing Office, 1992), part 5, p. 216.
- [5] Ibid., part 5, pp. 135-36.
- [6] Ibid., part 5, p. 218.
- [7] John Lancaster, "Defense Budget Debate: Truth Cuts Both Ways," Washington Post, February 5, 1992, p. 17.
- [8] "Fiscal Implications of the Administration's Proposed Base Force," CBO Staff Memorandum, December 1991, p. 11.
- [9] Earl C. Ravenal, *Designing Defense for a New World Order: The Military Budget in 1992 and Beyond* (Washington: Cato Institute, 1991), p. 51; and Robert L. Borosage, "We're Keeping Europe Safe from Ghosts," Los Angeles Times, January 30, 1992, p. 11.
- [10] Tom King, *Statement on the Defence Estimates: Britain's Defence for the 90s* (London: Her Majesty's Stationery Office, 1991), p. 54.
- [11] John Lloyd, "Russians Struggle to Control Budget Deficit," Financial Times, March 13, 1992, p. 2.
- [12] Les Aspin, "An Approach to Sizing American Conventional Forces," Press Release, February 25, 1992, p. 4. See also John J. Fialka, "Armed Forces of Former Soviet Union Are Fast Falling Apart," Wall Street Journal, April 13, 1992.
- [13] Eric Schmitt, "Russia Is Said to Plan for a Smaller Armed Force," New York Times, April 2, 1992, p. A-10.
- [14] John Lloyd and Chrystia Freeland, "Desertions Throw Struggling CIS Army into Disarray," Financial Times, March 19, 1992.
- [15] Aspin, p. 5.
- [16] *The Military Balance* (London: International Institute for Strategic Studies, 1991).
- [17] Quentin Peel, "Bundeswehr Set for Radical Cutback," Financial Times, February 20, 1992, p. 3.
- [18] "Japan's PM Announces Further Defence Review," Financial Times, January 31, 1992.
- [19] Ravenal, *Designing Defense for a New World Order*, p. 7.
- [20] Joint Chiefs of Staff, "National Military Strategy," 1992, p. 2.
- [21] Ibid., p. 4

- [22] Patrick E. Tyler, "Seven Hypothetical Conflicts Foreseen by the Pentagon," *New York Times*, February 17, 1992, p. A-8.
- [23] Patrick E. Tyler, "U.S. Strategy Plan Calls for Insuring No Rivals Develop," *New York Times*, March 8, 1992, p. 1.
- [24] *Ibid.*
- [25] "Excerpts from Pentagon's Plan: Prevent the Emergence of a New Rival," *New York Times*, March 8, 1992, p. A-14.
- [26] Patrick E. Tyler, "Top Congressman Seeks Deeper Cuts in Military Budget," *New York Times*, February 23, 1992, p. A-1.
- [27] Aspin, p. 6.
- [28] John Lancaster, "Aspin Seeks to Double Bush's Defense Cuts," *Washington Post*, February 27, 1992, p. A16.
- [29] John Lancaster, "Nunn Proposes 5-Year Defense Cut of \$85 Billion," *Washington Post*, March 25, 1992.
- [30] *Ibid.*
- [31] Another relevant point is that Aspin's projections for military spending are based on the 1993-97 period. They do not account for the CBO study, which suggests significant spending will be necessary to maintain the U.S. military at the proposed levels. Yet the possibility that expenditures may have to be significantly increased in the next century is critical to the military spending debate.
- [32] Eric Pianin, "Senate Rejects Bid to Cut Military Budget Below Bush Proposal," *Washington Post*, April 10, 1992, p. A-10.
- [33] Ted Galen Carpenter, "The Case for Strategic Independence," *Cato Institute Foreign Policy Briefing* no. 16, January 16, 1992, p. 2.
- [34] Earl C. Ravenal, "A Choice of Worlds: America's Prospective Foreign Policy," Paper presented at Cato Institute conference, "The New World Order and Its Alternatives: America's Role in the 1990s," March 31, 1992.
- [35] Ted Galen Carpenter and Rosemary Fiscarelli, "America's Peace Dividend," *Cato Institute White Paper*, August 7, 1990, p. 13.
- [36] Joseph S. Nye, Jr., "Soft Power," *Foreign Policy* 80 (Fall 1990): 153-71.
- [37] Stephen E. Siwek, "The Dimensions of the Export of American Mass Culture," Paper presented at the American Enterprise Institute conference, "The New Global Popular Culture: Is It American? Is It Good for America? Is It Good for the World?" March 10, 1992.
- [38] Chris Hedges, "Iran Is Unable to Stem West's Cultural Invasion," *New York Times*, March 28, 1992.
- [39] Benjamin R. Barber, "Jihad vs. McWorld," *Atlantic*, March 1992, p. 58.
- [40] The numbers given here are drawn from Ravenal's *Designing Defense* and Carpenter and Fiscarelli. A number of other studies have advocated cuts of a similar magnitude. William W. Kaufman and John Steinbruner suggest a "cooperative security" system that would require a military budget of \$146.8 billion in *Decisions for Defense: Prospects for a New Order* (Washington: Brookings Institution, 1991), pp. 67-76. Their preferred option would consist of a multilateral agreement among the major powers to limit military capabilities and regulate arms exports. Kaufman and Steinbruner believe such an agreement would eliminate many of the dangers inherent in the international system.

The Center for Defense Information argues that all of the goals of the Pentagon's National Military Strategy can be met for \$212 billion; "Defending America: A Force Structure for 1995," Center for Defense Information, February 21, 1992. Joseph S. Nye advocates a budget of about 2.5 percent of GNP (\$150 billion) that he suggests would fulfill the Pentagon's numerous missions; Cato Institute conference, "The New World Order and Its Alternatives: America's Role in the 1990s," March 31, 1992. William Colby and Paul Warnke of the Coalition for Democratic Values have called for a 50 percent cut in defense spending in "Restructuring Our Military," Coalition for Democratic Values, Silver Spring, Maryland, March 19, 1992. They argue that by paring down the antiquated U.S. commitment to Europe, other goals such as intervening in regional conflicts and civil wars, preventing nuclear proliferation, thwarting terrorism, and halting genocide and brutality can be met much more efficiently than the administration contends.

[41] Lloyd Jeffrey Dumas, *The Overburdened Economy: Uncovering the Causes of Chronic Unemployment, Inflation and National Decline* (Berkeley: University of California Press, 1986), p. 149; and Seymour Melman, *The Permanent War Economy: American Capitalism in Decline* (New York: Simon & Schuster, 1985).

[42] Carpenter and Fiscarelli, pp. 55-64.