

Cato Institute Policy Analysis No. 114: U.S. Military Spending in the Cold War Era: Opportunity Costs, Foreign Crises, and Domestic Constraints

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Robert Higgs

Robert Higgs is the William E. Simon Professor of Political Economy at Lafayette College and the author of *Crisis and Leviathan: Critical Episodes in the Growth of American Government* (Oxford University Press, 1987).

Executive Summary

Anyone who has studied elementary economics has encountered the idea that a society's output may be either "guns" or "butter" and that, once all resources are employed, having more of one entails having less of the other. This categorization of output is only a metaphor to make more concrete the concepts of production possibility and opportunity cost. I propose, however, to take the categorization seriously in order to inquire into how the costs of America's cold war military activities have been distributed between the private sector and the governmental nonmilitary sector. Accordingly, I extend the familiar metaphor slightly, dividing the U.S. gross national product (GNP) into three exhaustive classes: government military purchases, denoted by G-M; all government--federal, state, and local--nonmilitary purchases, denoted by G-NM; and all private purchases, whether for consumption or investment (plus net exports), denoted by P. This categorization permits one to view the societal opportunity costs of military purchases as broadly as possible. One is examining not just the division of the federal budget but the division of the entire national flow of production (as conventionally measured).

To provide empirical terms of reference for the analysis, I consider periods of military mobilization to be defined by a rapid, uninterrupted, multiyear increase of real military outlays, and periods of demobilization by a substantial decrease of real military outlays. In the United States since 1948, three mobilizations have occurred, during 1950-53, 1965-68, and 1978 to the present. The first two were followed by demobilizations. The third (as of this writing) is still in progress--real military spending increased by about 3 percent in calendar year 1987--though budgetary authorizations and appropriations already legislated make an eventual spending retrenchment almost certain.

An increase of the share of G-M in GNP can occur at the expense of either the share of P or the share of G-NM or of both. A natural distinction may be drawn between "capitalist" buildups, when the share of G-NM declines, and "socialist" buildups, when the share of P declines. Obviously, mixed cases are possible. Demobilizations may be viewed in the same way.

In light of the empirical findings, one may reconsider the institutions and processes by which resources are allocated among P, G-M, and G-NM. Of particular concern is the role of ideology and information. Who knows what, and who believes what, about national defense requirements and capabilities? How is the existing information used in the political processes that determine the broad allocation of resources? How stable are public preferences, and what makes them change as they do?

Military Spending and output Shares in the Cold War Era

Culminating the demobilization of the World War II military establishment, real military spending hit its postwar low in calendar year 1947 at \$10 billion, equivalent to about \$45 billion in 1982 dollars, or 4.3 percent of GNP. (Henceforth in this paper, unless otherwise indicated, all dollar amounts are expressed in 1982 purchasing power.) But in 1947 relations with the Soviet Union were already deteriorating, at least in the eyes of officials at the State Department.[1] For the people on Main Street, however, other concerns had priority. "Though the polls showed growing awareness of Soviet aggressiveness, most Americans were still not ready to undertake the dangerous, expensive job of opposing Russia. . . . The Republicans had gained control of Congress in November [1946] by promising a return to normalcy, not an assumption of Britain's empire." [2] To convince the public, and thereby Congress, of the need for additional defense spending, administration officials needed a crisis. The confrontations over Greece and Turkey, which had flared up in 1947, could not carry the full burden of the justification required.

Early Cold War Measures

Events came to the rescue when the Communists took over the Czechoslovakian government early in 1948. Lieutenant General Lucius Clay, military governor of the U.S. Zone in Germany, helped to create a war scare by sending a telegram warning that war between the United States and the Soviet Union might occur "with dramatic suddenness. n In March President Truman called for a supplemental defense appropriation of more than \$3 billion (1948 dollars), which Congress quickly passed.[3] Hoping to gain a rally-'round-the-flag response from the citizenry while seeking reelection, Truman gave a major speech that stressed the danger of war with the Soviets; he denounced their "ruthless action" and their "clear design" to dominate Europe.[4]

With these events, the cold war had definitely begun. Congress approved defense appropriations for fiscal year 1949 about 20 percent higher than those for fiscal year 1948.[5] The Berlin crisis that began in mid-1948, the formation of NATO in 1949, and the outbreak of the Korean War in 1950 ensured that the superpower rivalry and confrontation we know as the cold war--a state of permanent national emergency and military readiness--would remain thereafter the dominant fact of life in U.S. foreign and defense affairs.

NSC 68 and the Korean Conflict

Year	Spending	Year	Spending
1948	4.7	1968	209.8
1949	59.2	1969	198.2
1950	59.8	1970	182.9
1951	134.7	1971	166.9
1952	181.2	1972	166.5
1953	189.2	1973	156.6
1954	158.2	1974	153.0
1955	143.4	1975	151.1
1956	144.8	1976	148.0
1957	153.3	1977	149.9
1958	155.9	1978	150.8
1959	152.6	1979	155.1
1960	146.6	1980	166.5
1961	153.5	1981	178.2

1962	163.3	1982	192.8
1963	159.0	1983	206.4
1964	153.2	1984	217.8
1965	150.9	1985	232.7
1966	177.1	1986	243.1
1967	204.5	1987p	251.2

Sources: Figures for 1948-86 computed from nominal-dollar purchases and GNP deflator in Council of Economic Advisers, Annual Report (Washington: Government Printing Office, 1987), pp. 245-48. Figure for 1987 computed from preliminary data in Council of Economic Advisers, Annual Report (Washington: Government Printing Office, 1988), pp. 248-52.

Notwithstanding the sharp jump in real military purchases in calendar year 1949, the first rapid multiyear mobilization of the postwar era did not begin until after the outbreak of the Korean War (see Table 1 and Figure 1). Previously, administration officials had encountered stiff resistance from Congress to their pleas for a substantial buildup along the lines laid out in NSC 68, a landmark document of April 1950. The authors of this internal government report took a Manichaean view of America's rivalry with the Soviet Union, espoused a permanent role for the United States as world policeman, and envisioned U.S. military expenditures amounting to perhaps 20 percent of GNP.[6] But congressional acceptance of the recommended measures seemed highly unlikely in the absence of a crisis. In 1950 "the fear that [the North Korean] invasion was just the first step in a broad offensive by the Soviets proved highly useful when it came to persuading Congress to increase the defense budget." As Secretary of State Dean Acheson later said, "Korea saved us." [7] The buildup reached its peak in 1953. The ensuing demobilization took two years and left defense outlays during the next decade at a level about three times higher than that of the late 1940s. Between 1947 and 1950 real annual military spending never exceeded \$60 billion; after 1952 it never fell below \$143 billion. Samuel Huntington, a leading student of U.S. defense policy, has speculated that "without the war, the increase probably would have been about the size of that of 1948-1949," that is, 20 percent instead of 200 percent.[8]

Figure 1
Real Military Purchases (in Billions of 1982 Dollars), 1948-86
[Graph Omitted]

Source: Computed from nominal-dollar purchases and GNP deflator in Council of Economic Advisers, Annual Report (Washington: Government Printing Office, 1987), pp. 245-48.

Subsequent Buildups and Retrenchments

Figure 2
Military Purchases as Percentage of GNP, 1948-86
[Graph Omitted]

Source: Computed from nominal-dollar purchases and GNP deflator in Council of Economic Advisers, Annual Report (Washington: Government Printing Office, 1987), pp. 245-48.

During 1955-65 U.S. military policy underwent substantial recasting--first Eisenhower's New Look put major emphasis on massive nuclear retaliation by the Strategic Air Command and intercontinental ballistic missiles, then Kennedy's plan moved toward flexible nuclear response, counterinsurgency, and forces tailored to limited wars. But none of this had a major impact on overall defense spending, which fluctuated within a fairly narrow range of \$143-63 billion. A muchvaunted buildup after JFK took office raised spending by 11 percent between 1960 and 1962, but the decline during the next three years brought the real spending total in 1965 below the 1957 figure. Because the Kennedy buildup was so brief, so small, and so transient, I do not regard it as belonging in the same category as the three mobilizations already identified.

Beginning in 1965, the Vietnam War buildup carried real defense purchases to a mobilization peak in 1968, up by more than one-third. The ensuing demobilization is harder to date with certainty. I put its completion at 1971, when the

military share of GNP had fallen below the premobilization share of 1965 (see Figure 2). After holding its own in 1972, however, the amount of real military spending continued downward until it hit bottom in 1976. (The G-M share of GNP hit bottom in 1978.) Despite this resumption of the decline that first began after 1968, I believe that it would be incorrect to describe the decline during 1972-76 as part of the Vietnam War demobilization as such.[9] Although the latter decline certainly reflected, in part, disillusionments and convictions engendered by the Vietnam experience, it applied more to the military establishment in general, especially the procurement accounts, than to forces in or supporting military action in Southeast Asia.[10] By January 1973 only 30,000 U.S. military personnel remained in Vietnam and, although American air attacks continued, all responsibility for ground combat was shifted to Vietnamese troops.[11] The bulk of the military retrenchment during 1972-76 reflected public and congressional revulsion against militarism and the cold war rather than savings associated with the reduction and eventual cessation of U.S. involvement in the Vietnam War.

Finally, after 1978 the Carter-Reagan buildup is obvious in the spending figures. Between 1978 and 1980, real military outlays increased by \$15.7 billion, or 10.4 percent; between 1980 and 1987, by \$84.7 billion, or 50.9 percent. Over the entire nine-year buildup, outlays went up by \$100.4 billion, or 66.6 percent. (Remember, these figures are expressed in inflation-adjusted 1982 dollars.) Not being associated with a major shooting war, this vast military spending surge has no precedent whatever in American experience.

Military analysts of diverse experience and perspectives have questioned whether the recent buildup achieved much real overall improvement of the armed forces and whether it genuinely enhanced the national security of the American people.[12] Many people suspect that a large share of the additional spending was simply wasted through congressional patronage and micromanagement, military intransigence and inefficiency, contractor mismanagement and cost padding, and sheer bureaucratic bungling at the Pentagon. Although some modernization has occurred, the quality of enlisted personnel has risen, and readiness may have improved, neither the overall force structure nor the personnel strength of the armed forces looks much different today than it did when the buildup began.

Before proceeding, one should note two "technical" but important points. First, I have computed the data on real military spending by deflating nominal-dollar defense purchases by the GNP deflator. (All data are for calendar, not fiscal, years.) While this procedure does not permit one to claim that the resulting real spending series accurately portrays the growth of real defense "quantity"--whatever that might mean--it does permit one to approximate the opportunity cost of military spending in terms of real nonmilitary output forgone, which is at issue here.[13] Second, the military spending being analyzed here is for purchasing newly produced goods and services, including foreign military assistance. This component of the National Income and Product Accounts is not the same as budgetary outlays of the Defense Department, which include a substantial sum for transfer payments such as military retirement pay. (Since the mid-1960s, retirement pay has been the fastest-growing part of the Defense Department budget. In 1985 it accounted for \$15.4 billion, or about 6 percent of the Pentagon total.[14] Also, some defense purchases originate in other federal departments; for example, the Energy Department purchases goods and services to produce nuclear reactors and warheads.[15])

The Staggering Cost of Military Spending

Over the entire period 1948-86, real military purchases cumulated to a total of \$6,316 billion, averaging about \$162 billion per year. There was, obviously, substantial fluctuation: the standard deviation was almost \$40 billion. The trend was slightly upward. A trend equation fitted to the data shows that over this period of almost four decades the tendency was for defense purchases to increase by somewhat more than \$2 billion per year on the average.[16]

The appendix displays data on the shares of GNP going to G-M, G-NM, and P purchases during 1948-86. Figure 2 displays graphically the profile of the military share. Over the entire period, the military share averaged about 7.6 percent of GNP with a standard deviation of 2.2 percentage points. The trend was slightly downward. A trend equation fitted to the data indicates that the military share tended to fall by a bit more than 1 percentage point per decade.[17]

The G-NM share, pictured in Figure 3, had a completely different profile over the period 1948-86. Until the mid-1970s its general tendency was upward; since then it has drifted slightly downward, though not in every year. Over the entire period, the government (federal, state, and local) nonmilitary share averaged slightly more than 12 percent of

GNP with a standard deviation of 2.2 percentage points. Its trend was upward. A trend equation fitted to the data indicates that the government nonmilitary share tended to increase by nearly 2 percentage points per decade.[18]

The private share is, by my definition, what's left after the government shares are taken out (so, besides all private consumption and investment, it includes net exports, normally an almost negligible part of the total). During 1948-86 the private share averaged just over 80 percent of GNP with a standard deviation of about 2 percentage points. Its trend was slightly downward. A trend equation fitted to the data indicates that the private share tended to decline by two-thirds of a percentage point per decade.[19]

Who Pays?

Figure 3
Government Nonmilitary Purchases as Percentage of GNP, 1948-86
[Graph Omitted]
Source: Computed from nominal-dollar purchases and GNP deflator in Council of Economic Advisers, Annual Report (Washington: Government Printing Office, 1987), pp. 245-48.

Combining the information in the preceding three paragraphs, one may conclude that over the four decades of the cold war period, the tendency was for the government non- military share to gain at the expense of both the government military share and the private share, with the military share absorbing almost two-thirds of the overall shift.[20] Although it is true that the postwar American economy has remained a tripartite mixed economy--simultaneously a welfare state, a warfare state, and a market economy--it is also true that over the long run the welfare part has expanded its claim on national output at the expense of both the warfare part and the market part. Metaphorically speaking, both guns and butter have tended--in relative, not absolute, terms--to lose out to the great congeries of governmentally purchased civilian goods and services.[21]

Given that overarching trend, one may proceed to ask whether the cyclical increases in the G-M share occurred at the expense of G-NM or P shares. The answer is clear: There was no systematic tendency at all for the G-NM share to fall when the G-M share rose. In fact, during military buildups, the government nonmilitary share of GNP was more likely to rise than to fall. The G-NM share was higher in 1953 than it had been in 1950, and it was higher in 1968 than it had been in 1965. Over the course of the Carter-Reagan buildup, the G-NM share fluctuated, sometimes rising and sometimes falling, but the share at the end (14.0 percent in 1987) was virtually the same as it had been before the buildup began (14.1 percent in 1978).

The behavior of the private share is another story. Changes in the G-M and P shares have been almost exactly offsetting. A trade off equation fitted to the annual changes during 1948-86 shows that the implicit price of a 1 percentage-point increase in the military share was a reduction of almost exactly 1 percentage point in the private share of GNP.[22] In short, during the cold war period, the private sector alone has borne the full cost of military buildups.

In the language introduced above, one may describe the buildup of 1950-53 as completely socialist and the demobilization of 1953-55 as completely capitalist. But because the magnitude of the military upswing greatly exceeded that of the subsequent retrenchment, over the full cycle of 1950-55 the net change of the private share was minus 5 percentage points. The buildup of 1965-68 was also completely socialist; the demobilization was 64 percent capitalist if considered complete in 1971, 60 percent capitalist if considered complete in 1976. Over the complete cycle of 1965-71 the net change of the private share was minus 1.5 percentage points; over the period 1965-76 it was minus 0.4 percentage points. The Carter-Reagan buildup during 1978-87 was almost 95 percent socialist; the private share fell by 1.7 percentage points, while the military share rose by 1.8 percentage points. During the Reagan years alone, 1981-87, the buildup was completely socialist; that is, the private share fell even more than the military share rose.

These relationships might well give pause to those who, like the authors of NSC 68, espouse a large-scale military buildup and the preservation of the market economy. If historical experience is indicative of future developments, this policy combination is unlikely to be realized. The U.S. political economy--as it actually operates, not as someone might wish that it would operate--apparently does not offer this option. Earl Ravenal has observed that "an extensive, engaged foreign policy and a large, active military posture require big, intrusive, demanding government." [23] In view of the findings presented above, one could add that those demands are likely to draw upon the private sector, not

government's own civilian sector.

Of course, the workings of the political economy may change. Perhaps in the future a military buildup can occur at the expense of the G-NM share of GNP. But the burden of proof lies heavily on anyone who thinks so--one must go back more than 20 years to reach a time when the G-NM share absorbed less than 13 percent of GNP (it's now 14 percent). If historical relationships persist, those who espouse a large-scale military buildup simply must choose: military output or private output? Of course, some may be willing to make further sacrifices in the market sector for the sake of more guns. But a point will eventually be reached when the choice becomes a cruel one indeed, when the allocation of additional resources to the military threatens to destroy the very thing the defense establishment is supposed to protect.

Ideology, Information, and the Conflict of Elites and Publics

The foregoing evidence and analysis raise a variety of questions. Only a few can be considered here. I shall focus on issues relating to ideology, information, and the conflict between elites and publics.

Consider first the profile of resource allocation to the military during the cold war period. One might ask: (1) What accounts for the unprecedentedly enormous base spending level, that is, the level when the nation was not involved in shooting wars? (2) What accounts for the deviations from that base, that is, for the buildups? Until the late 1970s the answers seem fairly transparent. The high base level of spending resulted from the cold war ideology and the foreign policy doctrines and military commitments that flowed from it. The spending deviations were associated with the extraordinary costs of participation in two major shooting wars in Asia.[24] The Carter-Reagan buildup is a different matter. Set in motion by a unique combination of external events, astute partisan political action, and information management, kept in motion by executive determination and institutional momentum, it requires separate analysis.[25]

Recall (Table 1 and Figure 1) that during the "normal" years of the post-Korean War period, 1955-65 and 1972-78, when neither substantial mobilization nor demobilization was occurring, real defense spending fluctuated within a range of \$143-66 billion. This contrasts with the \$48-60 billion range of the years 1948-50. One may conclude that the establishment of the full-fledged cold war regime caused real defense spending almost to treble. Shooting wars entailed marginal costs of another \$20-60 billion per year. Even without the periodic buildups, the "normal" cost of the cold war military establishment would have cumulated to some \$6 trillion in four decades--a staggering sum.

For about 20 years after World War II the dominant cold war ideology and a bipartisan consensus on defense and foreign policy, focused on containment and deterrence of the Soviet Union, gave support to the unprecedented allocation of resources to the "peacetime" military establishment.[26] Having weakened somewhat under the strains of the Vietnam War controversy and its political aftermath, both the ideology and the consensus persist, subject now to a good deal of fraternal squabbling, notably within Congress.[27] President Reagan's rhetorical hostility toward the Soviet Union's "evil empire" and the generally hawkish stance of his administration, especially during the president's first term, helped to refurbish the tarnished cold war ideology.

This ideological milieu has been important, even essential, in maintaining high levels of resource allocation to defense; but it has not been sufficient. Ordinary citizens, almost none of whom have any direct contact with conditions or evidence bearing on national security, may easily suspect that too much is being spent, that genuine national security does not really require such vast expenditures, and that military interests, especially the uniformed services and the big weapons contractors, are using bogus threats as a pretext for siphoning off the taxpayers' money. Countless political cartoons, featuring bloated generals bedecked with battle ribbons, have promoted precisely such an image. Citizens do not have to be natural cynics. The problem of creeping skepticism is inherent in the remoteness of the subject from their immediate experience. In addition, as Huntington has remarked, "The longer a given level of military force is apparently adequate for deterrence, the greater is the temptation to assume that a slightly lower level might be equally adequate." [28]

Moreover, frequent newspaper and television reports of waste, fraud, and mismanagement--and most recently, of widespread bribery--foster the public's tendency to doubt what the defense authorities say. Popular books explain how the military-industrial-congressional complex constitutes an "iron triangle," exploiting the taxpayers, distorting defense policies, and blocking progress toward multilateral arms reductions.[29]

Unfortunately, no one knows the production function for national security. It is "difficult to correlate military expenditure levels to distinct improvements in national security. Citizens can only spend and hope." But "the indeterminate nature of the need to spend," along with the underlying cold war ideology, creates a potential for the political authorities to arouse the slumbering apprehensions of the public.[30]

The tendency of chronic insecurity to lose its efficacy in supporting high levels of spending can be offset by episodic crises. In a perceived crisis, public opinion becomes volatile. Many people suspend their reason, critical faculties, and long-term judgments, reacting emotionally and with heightened deference to political leaders.[31] As Sen. Arthur Vandenberg observed when Truman was first attempting to persuade the public to support a policy of containment in 1947, gaining such support requires that national leaders "scare hell out of the American people." [32] Sometimes the outside world presents an inviting opportunity to take advantage of a crisis, as when the North Koreans crossed the 38th parallel in 1950. But usually the world does not supply such clear-cut cases, and the national security managers must take matters into their own hands.

Illusory Military "Gaps"

Since World War II the American people have been officially alerted to a series of ominous "gaps." [33] Right after the war, Soviet force levels and offensive capabilities were exaggerated: of the fearsome 175 Soviet divisions, one-third were undermanned and another one-third were ill-equipped militia.[34] Then came a bomber gap in the mid-1950s and a missile gap between 1958 and 1961, followed within a few years by an antimissile gap and a first-strike missile gap. All were shown in due course to have been false alarms. Meanwhile, the American people received an almost wholly fictitious account of an incident in the Gulf of Tonkin in 1964, which stampeded Congress into giving its blessing to what soon became a major war.[35] Subsequent gaps have been alleged with regard to bombers (again), thermonuclear megatonnage, antisubmarine capabilities, and missile throw weights. The 1970s were officially declared to have been a "decade of neglect" of U.S. defense, one that opened a dangerous "window of vulnerability." According to Defense Secretary Weinberger, an "enormous gap . . . has emerged since 1970 between the level of Soviet defense activities and our own," though fortunately the Reagan administration has "managed to close much of this gap." [36] Still, we currently face a Star Wars gap that can be closed only through estimated expenditures eventually cumulating to hundreds of billions of dollars.[37]

Although not every gap scare has led directly to a corresponding U.S. response, the endless succession of such episodes has helped to sustain an atmosphere of tension, distrust, and insecurity that fosters the maintenance of an enormous ongoing arms program. Among the public, mood substitutes for information--a situation that suits the purposes of the defense establishment quite well.

The Cult of Secrecy

The national security elite--the president, his National Security Council (NSC), the Joint Chiefs of Staff, and high officials of the State Department, the Defense Department, and the Central Intelligence Agency, plus the heads of other intelligence organizations, various aides, arms contractors, scientists, and consultants, altogether a mere handful of men among whom only the president and the vice president hold elective office--possesses a near-monopoly over critical defense-related information. This situation springs from origins in the National Security Act of 1947, which created the NSC and the CIA and "set in motion a cult of secrecy, a far more pervasive system of classifying information than had ever existed previously, and a growing executive determination to withhold sensitive information from the public and from Congress." [38] An NSC member once declared, "Policy decisions of the National Security Council are not a fit subject for public discussion." [39] The need for a certain amount of secrecy is obvious, but many people suspect that, as Sidney Lens has observed, "mostly, secrecy is used against the people of the United States." [40]

Manipulation of the Public

In view of the exclusive possession of critical information by the national security elite, some commentators have argued that the insiders must (sometimes? often? always?) take actions in conflict with prevailing public preferences. For example, Edward Kolodziej has written: "The public's grasp of defense problems has often been cloudy, confused, and fragmentary. . . . Fluctuating and unpredictable, the changing emotive responses of the public are not likely to be congruent with the short- and long-term needs of security and foreign policy." Hence, correct policies must be sold to

the public by the informed and (need one add?) completely selfless and trustworthy leadership and its agents.[41] For those who believe that the captain, crew, and ship exist to serve the passengers rather than vice versa, such arguments seem elitist, cynical, and morally and intellectually arrogant.[42] But however one views the virtues and vices of an elite's "selling" its foreign policy to the public by means of propaganda, one must recognize that this is in fact the sort of campaign the government has been conducting throughout the cold war era.[43] As J. Russell Wiggins, a former editor of the Washington Post, has said, "Our government repeatedly resorts to lies in crises, where lies seem to serve its interests best." [44]

This easily documented observation comes as a shock to only the most stubbornly naive or blindly patriotic. As Lance Bennett has observed, information about public issues is an inherently political commodity. It is concealed, revealed, leaked, released, classified, declassified, jargonized, simplified, and packaged symbolically according to the political interests of those ubiquitous 'informed sources' who have a stake in the outcome of the issue in question." [45] Manipulation of information is central to what modern governing elites do. Daniel Patrick Moynihan, no stranger to the inner sanctums of government power, has observed that "knowledge is power, and the ability to define what others take to be knowledge is the greatest power." [46]

Elite management of information and manipulation of public opinion operate within different constraints for domestic, as opposed to defense-related, matters. On domestic matters, opinion makers are much more constrained because information is far more dispersed. The authorities might want the public to believe that Iowa is made of green cheese, but they have scant ability to give the idea credibility. Being in conflict with the evidence of immediate personal experience can only discredit official pronouncements and their sources. So the authorities must be more careful when speaking of domestic subjects, though even here the remoteness of certain things from common experience allows scope for interpretation, selectivity, and other ways of shading the facts.

On defense-related and foreign policy matters, the scope for information management and opinion leadership by the national security elite is much wider.[47] It is virtually impossible for anyone outside that elite to know much about the military capabilities and intentions of our potential adversaries--who are, after all, far more addicted to secrecy than our own elite. The defense insiders themselves have plenty of trouble knowing what to make of the information at their disposal. But they unquestionably have vastly more to work with than others have.

They also have interests of their own--personal, political, institutional, material, ideological--interests that they can serve through judicious control and dissemination of the information to which they alone have access. They have never hesitated to exploit the advantages of their privileged access to information. The Iran-contra affair and the Pentagon bribery scandal are only the latest episodes in a long history of self-serving mendacity. "The entire sequence of decisions concerning the production and use of atomic weaponry," for example, took place "without any genuine public debate, and the facts needed to engage in that debate intelligently [were] officially hidden, distorted, and even lied about." [48]

Constraints on the National Security Elite

All this does not mean that the national security elite can do anything it wants. If it could, retrenchments of the military establishment presumably never would have occurred after the buildups. Certainly the steep decline of 1968-76, especially its latter phase, which defense interests stoutly opposed, would not have been so steep. The fact that the allocation of resources to defense has sometimes fallen, and fallen substantially, refutes radical arguments that allege the exercise of hegemony by the national security establishment.[49] Although one must appreciate the tremendous political resources possessed by the defense elite, it is possible, and not uncommon, to overestimate its strength. It has lost some political battles. That is why less than 7 percent of GNP now goes to defense instead of 10 to 15 percent or more. Of course, defense interests appreciate that proposals or actions widely perceived as too grasping would be imprudent and counterproductive. More important, however, are the external factors that constrain the defense managers, despite their unique control of information and their consequent ability to mold, rather than respond to, public opinion.

The biggest problem for defense authorities who would wield ideology, control information, and mold public opinion arises from that proverbially inevitable duo, death and taxes. These are the most evident forms taken by the costs of

extensive commitments of resources to military purposes. Of these, death is obviously the more important. Notwithstanding all their power and position, the authorities cannot credibly deny certain realities; the word gets out when Johnny doesn't come home, or when he does come home, but with an arm or a leg missing. John Mueller fitted statistical models to public opinion data gathered during the Korean and Vietnam wars and found that "every time American casualties increased by a factor of 10, support for the war dropped by about 15 percentage points." [50] Robert Smith reports public opinion data showing that "complaints about taxes were high during the two limited wars and increased as the wars progressed." [51]

Smith's data illustrate the enduring constraint on military activities in the form of narrowly economic opportunity costs. In the crisis of 1948 and immediately afterward, Truman resisted recommendations for a huge increase in military spending, facilitated by either increasing taxes or imposing economic controls, because "he was convinced that these courses were not economically or politically feasible." [52] In the wake of the Soviets' Sputnik success, President Eisenhower opposed the Gaither Committee's recommendation for a big buildup because he had "a nagging fear that the American people would balk at paying the bill." [53] Given this abiding popular resistance, it was only to be expected that, as Hugh Mosley notes, the Johnson administration "was reluctant to resort to increased taxes to finance the war for fear of losing public support for its policy of military escalation." [54] Nixon is said to have "realized that for economic reasons (the war was simply costing too much) and for the sake of domestic peace and tranquility he had to cut back on the American commitment to Vietnam," and the retrenchment was "forced on [him] by public opinion." [55] Jacques Gansler observes that during the 1970s "the will of the people, who were fed up with the war in Vietnam, was to devote all available resources toward improving the peacetime life of the nation." [56] Yet at the same time, rising real marginal tax rates inspired tax revolts, limiting the capacity of governments to supply more nonmilitary goods. Something had to give. Of the political coalitions struggling over the three grand categories of output, the military coalition proved the weakest, at least until after 1978.

Notably, the inverse relation of the burdens of death and taxes to the popularity of a war (well documented for the Korean and Vietnam wars) seems not to have characterized public opinion during World War II. This difference may be related to how the public understood the necessity of war and its attendant costs in each of those cases. World War II received unparalleled support because people were violently provoked and angered by Japan's devastating surprise attack on U.S. citizens and territory at Pearl Harbor and because enemy leaders, especially Hitler, and their governments could effectively be depicted as both diabolical and genuinely threatening. President Roosevelt called World War II the War for Survival--a primal characterization. The all-out effort against the Axis and the insistence on total victory and unconditional surrender also lent themselves to the mobilization of active popular support. The war seemed an obvious contest between darkness and light. [57]

Wars of geopolitical maneuvering, on the other hand, have proved harder for the American people to understand and support once the costs began to mount. [58] What exactly was the war about? Why were our forces restrained from attacking all sources of enemy support? What would the United States gain in any event? The public must have been perplexed by such revelations as the following, reported during the Korean War:

Reporter: "General, what is our goal?"

Lieutenant General James Van Fleet: "I don't know. The answer must come from higher authority."

Reporter: "How may we know, General, when and if we achieve victory?"

Van Fleet: "I don't know, except that somebody higher up will have to tell us." [59]

Lacking persuasive rationales to present to the public, the authorities could only draw from the pool of patriotism. But that is not a bottomless reservoir, and without replenishment from sources that ordinary people can understand and support, it eventually runs dry. [60] When it does, public opinion cannot be effectively controlled by the authorities. And when the opinion balance becomes heavily negative, it works its way through political processes to affect the allocation of resources to the military. [61] Eisenhower gained election to the presidency in 1952 largely on the strength of his promise to end the Korean War, a promise he quickly fulfilled. [62] President Johnson declined to seek reelection in 1968 mainly because of mounting opposition to his war policy. The Nixon administration devoted itself to winding down American participation in the fighting, ending the draft, and eventually withdrawing all U.S. forces

from Vietnam. Recently, after an unprecedented peacetime buildup, the secretary of defense complained that "new weapons can be developed by our adversaries . . . much more rapidly because [in the USSR] there are no funding restraints imposed by public opinion." [63]

Conclusion

The past half-century has witnessed a new epoch in the relation of military activity to the political economy of the United States. Before World War II, the allocation of resources to military purposes remained at token levels, typically no more than 1 percent of GNP, except during actual warfare, which occurred infrequently. Wartime and peacetime were distinct, and during peacetime--that is, almost all the time--the societal opportunity cost of "guns" was nearly nil. The old regime ended in 1939. The massive mobilization of the early 1940s drove the military share of GNP to more than 41 percent at its peak in 1943-44. Despite an enormous demobilization after 1944, the military sector in 1947, at the postwar trough, still accounted for 4.3 percent of GNP, three times the 1939 share. Following the Korean War, military purchases reached an unprecedented level for "peacetime" and, despite some fluctuations, remained at or above this elevated level permanently. During 1948-86, military purchases cumulated to \$6,316 billion, averaging about \$162 billion per year, or 7.6 percent of GNP. The trend has been slightly upward for real spending, slightly downward for spending as a percentage of GNP. The marginal costs of the Korean and Vietnam wars were borne entirely through reductions in the private share of GNP. During the post-World War II buildups, the government nonmilitary share was more likely to increase than to decrease.

The high base level of defense spending since 1947 resulted from the dominant cold war ideology and the foreign policy doctrines and military commitments it engendered. The ideology alone, however, was an insufficient prop, and episodic crises have played an essential part in maintaining public support for vast military expenditures. The national security elite has warned of one "gap" after another, most of which have turned out to be exaggerated or nonexistent. Given the secrecy in which much defense-related information is held, it is inevitable that the national security elite will, as it has in the past, use its unique access to information to promote its own interests, often in conflict with public preferences. There are limits, though, and in the political struggles, military interests sometimes lose. The authorities cannot always effectively mislead the citizenry, especially where many deaths and heavy taxes (including inflation) are involved. But the constraints on policymakers, being subject to informational and ideological displacement, are themselves elastic and manipulable.

For the public, whose designated role in the defense process is to bear the economic burdens and spill the blood, the lessons of four decades of experience only echo the warning issued by President Eisenhower in 1961:

The potential for the disastrous rise of misplaced power exists and will persist. . . . We should take nothing for granted. Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense without peaceful methods and goals, so that security and liberty may prosper together. [64]

In heeding this enduringly resonant warning, opinion leaders and the public should appreciate, as Eisenhower did, that new crises--real and contrived--will continue to arise. On those occasions especially, the public would do well to resist the passions of the moment and to skeptically scrutinize the emergency programs sure to be proposed, remembering what experience has demonstrated about the workings of the postwar political economy: ultimately, private citizens in their capacities as consumers, investors, and living human beings --not the decision-making elite or the beneficiaries of government's nonmilitary spending programs--will bear the costs of the military activities entailed by policies of ill-considered global interventionism.

FOONOTES

[1] Samuel P. Huntington, *The Common Defense: Strategic Programs in National Politics* (New York: Columbia University Press, 1961), pp. 33-39.

[2] Walter Isaacson and Evan Thomas, *The Wise Men: Six Friends and the World They Made--Acheson. Bohlen. Harriman. Kennan. Lovett. McCloy* (New York: Simon & Schuster, 1986), pp. 393- 94. See also Edward A. Kolodziej, *The Uncommon Defense and Congress, 1945-1963* (Columbus: Ohio State University Press, 1966), pp. 35-36, 67-68;

Stephen E. Ambrose, *Rise to Globalism: American Foreign Policy since 1938*, 4th rev. ed. (New York: Penguin Books, 1985), pp. 71, 79-82, 93-94.

[3] Samuel P. Huntington, *The Soldier and the State: The Theory of Civil-Military Relations* (Cambridge: Belknap Press, 1957), p. 425; Kolodziej, pp. 74-81; Hugh G. Mosley, *The Arms Race: Economic and Social Consequences* (Lexington, Mass.: Lexington Books, 1985), p. 7.

[4] Robert J. Donovan, *Conflict and Crisis: The Presidency of Harry S Truman. 1945-1948* (New York: Norton, 1977), pp. 357-61; Isaacson and Thomas, pp. 439-41; Ambrose, pp. 95-97; Kolodziej, p. 72.

[5] U.S. Bureau of the Census, *Historical Statistics of the United States. Colonial Times to 1970* (Washington: Government Printing Office, 1975), p. 1114.

[6] Huntington, *Soldier and the State*, p. 384; Huntington, *Common Defense*, pp. 47-53; Mosley, pp. 7-12; Ambrose, pp. 113-15.

[7] Isaacson and Thomas, pp. 504 (Acheson quote), 513. See also Huntington, *Soldier and the State*, pp. 364, 382-84, 445-46; Huntington, *Common Defense*, pp. 53-64; Mosley, pp. 11, 13, 173; Ambrose, pp. 113-31; Kolodziej, pp. 124-56.

[8] *Common Defense*, p. 201.

[9] Here I part company with, among others, Richard A. Stubbing, *The Defense Game: An Insider Explores the Astonishing Realities of America's Defense Establishment* (New York: Harper & Row, 1986), pp. 14, 97. But Stubbing's own account seems inconsistent; compare his pp. 299, 327-30. See also Mosley, pp. 174-77.

[10] Lawrence J. Korb, *The Fall and Rise of the Pentagon: American Defense Policies in the 1970s* (Westport, Conn.: Greenwood Press, 1979), pp. 53-54, 62-64; Jacques S. Gansler, *The Defense Industry* (Cambridge: MIT Press, 1980), pp. 21- 22, 26.

[11] Stubbing, pp. 297, 310; Ambrose, pp. 234-35, 242-54.

[12] For appraisals of the recent buildup, see William W. Kaufmann, *A Reasonable Defense* (Washington: Brookings Institution, 1986); Edward N. Luttwak, *The Pentagon and the Art of War* (New York: Simon & Schuster, 1984); James Coates and Michael Kilian, *Heavy Losses: The Dangerous Decline of American Defense* (New York: Viking, 1985); A. Ernest Fitzgerald, "Overspending to Weakness, n in More Bucks. Less Bana: How the Pentaon Buys Ineffective Weapons," ed. Dina Rasor (Washington: Fund for Constitutional Government, 1983), pp. 299-320; William A. Niskanen, "More Defense Spending for Smaller Forces: What Hath DoD Wrought?" *Cato Institute Policy Analysis* no. 110, July 29, 1988.

[13] Mosley, p. 29.

[14] Stubbing, p. 239.

[15] For a discussion of the various sources and measures of military spending, see Mosley, pp. 17-44.

[16] The linear regression equation describing the trend is real defense spending = 116.494 + 2.272 time where spending is measured in 1982 dollars and time is measured in years.

[17] The linear regression equation describing the trend is G-M share of GNP = 9.824 - 0.112 time where the share is measured in percentage points and time is measured in years.

[18] The linear regression equation describing the trend is G-NM share of GNP = 8.509 + 0.179 time where the share is measured in percentage points and time is measured in years.

[19] The linear regression equation describing the trend is P share of GNP = 81.691 - 0.066 time where the share is

measured in percentage points and time is measured in years.

[20] Because the three shares exhaust the entire GNP, their trend rates must add up to zero, which (except for rounding error) they do. The trend rate for the G-NM share (0.179) is equal in absolute value to the sum of the trend rate for the G-M share (-0.112) and the trend rate for the P share (-0.066).

[21] Of course, the more characteristic type of spending of the welfare state, governments' redistributive transfer payments, has increased enormously. But because these payments are not for immediate purchase of currently produced goods and services--that is, not components of GNP--they lie outside the scope of the present analysis.

[22] The linear regression equation, fitted to the annual changes, is change in P share = $-0.177 - 0.997$ change in G-M share where the annual changes are measured in percentage points.

[23] Earl C. Ravenal, *Defining Defense: The 1985 Military Budget* (Washington: Cato Institute, 1984), p. 6.

[24] Charles W. Ostrom, Jr., "A Reactive Linkage Model Of the U.S. Defense Expenditure Policymaking Process," *American Political Science Review* 72 (1978): 955; William K. Domke, Richard C. Eichenberg, and Catherine M. Kelleher, "The Illusion of Choice: Defense and Welfare in Advanced Industrial Democracies, 1948-1978," *American Political Science Review* 77 (1983): 30-31; Charles W. Ostrom, Jr., and Robin F. Marra, "U.S. Defense Spending and the Soviet Estimate," *American Political Science Review* 80 (1986): 824-39.

[25] Informative analyses of the Carter-Reagan buildup include Korb, pp. 151-64; Stubbing, pp. 12-30; Mosley, pp. 145-60; and Ostrom and Marra, pp. 819-42. See also the sources cited in note 12 above.

[26] Huntington, *Common Defense*, passim; Leonard P. Liggio, "American Foreign Policy and National-Security Management," in *A New History of Leviathan: Essays on the Rise Of the American Corporate State*, ed. Ronald Radosh and Murray N. Rothbard (New York: Dutton, 1972); Charles E. Neu, "The Rise of the National Security Bureaucracy," in *The New American State: Bureaucracies and Politics Since World War II*, ed. Louis Galambos (Baltimore: Johns Hopkins Press, 1987), pp. 91-92, 100-101.

[27] All sides agree. For testimony from a variety of ideological perspectives, see Isaacson and Thomas, pp. 369, 725, and passim; Ambrose, pp. 221-22 and passim; Douglas H. Rosenberg, "Arms and the American Way: The Ideological Dimension of Military Growth," in *Military Force and American Society*, ed. Bruce M. Russett and Alfred Stepan (New York: Harper Torchbooks, 1973), pp. 170-92; Ralph Sanders, *The Politics of Defense Analysis* (New York: Dunellen, 1973), pp. 176-77, 186-87, 201-2; U.S. Senate, Staff of the Committee on Armed Services, *Defense Organization: The Need for Change* (Washington: Government Printing Office, 1985), p. 573; Sidney Lens, *Permanent War: The Militarization of America* (New York: Schocken Books, 1987), pp. 43-44; James M. Cypher, "Ideological Hegemony and Modern Militarism: The Origins and Limits of Military Keynesianism," *Economic Forum* 13 (1982): 10-15; Peter Navarro, *The Policy Game: How Special Interests and Ideologues Are Stealing America* (New York: Wiley, 1984), pp. 259-62, 273-75; Caspar W. Weinberger, *Annual Report of the Secretary of Defense to the Congress. Fiscal Year 1988* (Washington: Government Printing Office, 1987), pp. 15, 41-50.

[28] Huntington, *Common Defense*, p. 205.

[29] Prominent examples include C. Wright Mills, *The Power Elite* (New York: Oxford University Press, 1956); A. Ernest Fitzgerald, *The High Priests of Waste* (New York: Norton, 1972); Gordon M. Adams, *The Politics of Defense Contracting: The Iron Triangle* (New Brunswick: Transaction Books, 1982); and Lens. For a brief attempt to place into perspective the military-industrial-congressional complex and its most recent scandal, see Robert Higgs, "Military Scandal, Again," *Wall Street Journal*, June 27, 1988, p. 12.

[30] Gordon M. Adams, "Disarming the Military Subgovernment," *Harvard Journal on Legislation* 14 (1977): 467. See also Mancur Olson as quoted in Mosley, p. 19.

[31] Huntington, *Common Defense*, pp. 202, 214-15; W. Lance Bennett, *Public Opinion in American Politics* (New York: Harcourt Brace Jovanovich, 1980), pp. 113-17, 216-19; Robert Higgs, *Crisis and Leviathan: Critical Episodes in*

the Growth of American Government (New York: Oxford University Press, 1987), pp. 17-18, 62-67, and passim.

[32] Ambrose, p. 87.

[33] Huntington described U.S. military policy between 1946 and 1960 as "a series of prophecies of disaster which never materialized" but qualified his statement by adding that such prophecies "when credited by the right people are self- nonfulfilling." Huntington, *Common Defense*, pp. 428-29.

[34] Kolodziej, p. 77; Isaacson and Thomas. p. 503.

[35] Ambrose, pp. 212-13; Lens, pp. 73-74, 123; Jonathan Kwitny, *Endless Enemies: The Making of an Unfriendly World* (New York: Penguin Books, 1984), pp. 357-59.

[36] Weinberger, p. 17.

[37] On the gaps, compare Navarro, p. 240; Stubbing, pp. xiii, 14-25; Lens, pp. 170-71; Huntington, *Common Defense*, pp. 428-29 and passim; and Ambrose, p. 168.

[38] Ted Galen Carpenter, "Global Interventionism and a New Imperial Presidency, n Cato Institute Policy Analysis no. 71, May 16, 1986, p. 6. See also Huntington, *Common Defense*, pp. 184-88; Mills, pp. 293-94, 355; Lens, p. 38; Sanders, pp. 206-7; Adams, "Disarming," pp. 467-74, 486; Adams, *Politics*, pp. 95-96; Stubbing, pp. 56, 110; Neu, pp. 89-90, 98-100.

[39] Huntington, *Common Defense*, p. 183.

[40] Lens, p. 44.

[41] Kolodziej, pp. 442, 491, and, more generally, 488-505. See also James L. Payne, "Foreign Policy for an Impulsive People," in *Beyond Containment: Alternative American Policies toward the Soviet Union*, ed. Aaron Wildavsky (San Francisco: Institute for Contemporary Studies, 1983), pp. 212, 217, and passim.

[42] For criticism of such arguments, see Mills, p. 294, and Liggio, p. 253.

[43] Huntington, *Soldier and the State*, pp. 382-84; Liggio, pp. 240-59; Isaacson and Thomas, passim; Lens, passim; Navarro, pp. 254-55; Stubbing, pp. 5-6, 13-28, 70; Kwitny, passim.

[44] Lens, p. 119; see also pp. 122, 130, 168, 172.

[45] Bennett, p. 311. See also "Lies: The Government and the Press," in Kwitny, pp. 355-78.

[46] Stubbing, p. 5. See also Mills, pp. 220, 222.

[47] Michael D. Hobkirk, *The Politics of Defence Budgeting* (Washington: National Defense University Press, 1983), p. 60; David R. Segal, "Communication about the Military: People and Media in the Flow of Information, n *Communication Research 2* (1975); Neu, pp. 92, 98, 108.

[48] Mills, p. 355. See also Huntington, *Soldier and the State*, pp. 382-84; Huntington, *Common Defense*, pp. 113-14, 303, 305.

[49] For arguments that strongly suggest, if they do not explicitly allege, that such hegemony has been exercised, see Lens; Adams, "Disarming; and Cypher.

[50] John E. Mueller, *War. Presidents and Public Opinion* (New York: Wiley, 1973), pp. 60-61.

[51] Robert B. Smith, "Disaffection, Delegation, and Consequences: Aggregate Trends for World War II, Korea, and Vietnam," in *Public opinion and the Military Establishment*, ed. Charles C. Moskos, Jr. (Beverly Hills: Sage,

1971), p. 250. See also Kolodziej, pp. 156-57.

[52] Kolodziej, pp. 91, 119-20.

[53] Huntington, *Common Defense*, p. 113; Neu, p. 89.

[54] Mosley, p. 153.

[55] Ambrose, pp. 242-43

[56] Gansler, p. 22. See also Neu, pp. 100-104.

[57] Huntington, *Soldier and the State*, p. 332; Higgs, *Crisis and Leviathan*, p. 197; Richard Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World* (New York: Basic Books, 1986), pp. 111, 134. One also ought to recognize, though, that during World War II the government undertook far more extensive measures to conceal or obscure the costs of war. For example, censors denied the public information on casualties being incurred, and payment of income taxes shifted midway through the war from taxpayer remittances to payroll withholding. On the concealing and shifting of costs during World War II, see Higgs, *Crisis and Leviathan*, pp. 196-236.

[58] Huntington, *Soldier and the State*, pp. 387-91; Huntington, *Common Defense*, p. 342; Korb, p. 22; Kolodziej, pp. 137-38.

[59] Mills, p. 185.

[60] Rosecrance, pp. 38, 131, 158; Higgs, *Crisis and Leviathan*, pp. 64-65; Ambrose, pp. 249-50.

[61] Ostrom, p. 954; Ostrom and Marra, pp. 830-39.

[62] Huntington, *Soldier and the State*, p. 391.

[63] Weinberger, p. 16, emphasis added. For an analytical survey of the extensive literature on the relation of public opinion to defense policy, see Bruce Russett, "Public Opinion and National Security Policy: Relationships and Impacts," in *Handbook of War Studies*, ed. Manus Midlarsky (London: Allen & Unwin, 1988, forthcoming). Russett concludes that "governments lose popularity directly in proportion to the length and cost (in blood and money) of the war. n Public opinion unquestionably affects policy, but the relation is complex. "Leaders in a real sense interact with public opinion, both responding to it and manipulating it."

[64] President Eisenhower's Farewell Address to the Nation, January 18, 1961, as reprinted in *The Economic Impact of the Cold War: Sources and Readings*, ed. James L. Clayton (New York: Harcourt, Brace & World, 1970), p. 243.