Synchronizing Foreign Policy, Trade Policy, and Defense Budget in an Era of Fiscal Austerity

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Abstract

During the Cold War the U. S. was in a "no holds barred" ideological struggle with the Soviet Union and to a lesser extent with China, with significant military implications. Since, the U. S. had the largest and most prosperous economy at the time, and the communist order threatened our way of life, there were no serious restrictions on military and foreign policy budgets. Contemporary economic reality and domestic priorities, however, place significant constraints on what the U. S. can afford to spend on its defense and foreign aid budgets. Therefore, this effort attempts to integrate U. S. trade policy, military expenditures, and foreign policy in such a way that permits policy makers to make informed tradeoffs between domestic needs, national security interests, and foreign policy goals that the nation can afford.

Keywords: Foreign policy; Defense budget; Military; Economy

Introduction

Throughout the cold war U. S. military strategy was predicated on the likelihood of confronting the USSR in a large scale force-on-force encounter in Europe and the possibility that such a conventional conflict would escalate into a thermonuclear exchange between the USSR and USA. Consequently, military strategy with its concomitant acquisition policies was designed around these two imperatives. While a conflagration between these two military superpowers never occurred, regional military conflicts did erupt, e.g., Korea, Vietnam, the two Persian Gulf wars, with the ensuing Iraqi and Afghanistan counterinsurgency efforts. The most recent involvement is Libya. Some observers argue that such a recent history necessitates a “full spectrum” military defense policy and an opposite weapons acquisition strategy. President Eisenhower described a “full spectrum” policy as “an armed camp-capable of doing all things, all the time, everywhere,” and was wary of a garrison state [1]. Unfortunately, economic reality stands in the way. Foreign policy options as well as military capability are now dependent more and more on economic strength. Thus, military spending, trade policy, and foreign policy can no longer be treated in their respective silos, but must be approached in a holistic manner because they are parts of the same system that move together.

Post Cold War Military Threats

Russian history is clear. When its neighbors are weak, Russia expands. That is the way the Russian empire was created. We should not forget that in geographic terms the Soviet empire was coterminous with the empire assembled by the Tsars. While the Soviet Union fell on hard times for a while, leading to its disintegration, it appears that its successor, the Russian Federation, is on a course to regain as much of the former empire as is practicable. Because of its nuclear arsenal and means of delivery, the Russian Federation remains a formidable military power. Therefore, its neighbors and the U. S., under the NATO umbrella, must remain strong and vigilant.

China is rapidly becoming a global economic and military power, which puts it into competition with the U. S., Japan, India, and Europe for economic resources across the globe. Such competition has the potential to lead to serious disagreements from time-to-time in some part of the globe or another. For example, China has laid claim to the entire South China Sea. Serious differences over China’s currency manipulation constitute considerable trade friction. Furthermore, China exports the bulk of “rare earths” which are widely used in military weapons. China’s attempts to lock up international sources of oil have already met with a U. S. rebuke. In addition, Taiwan remains a continuous source of tension between the two nations. Therefore, the U. S. must be prepared for a Chinese challenge as well.

Thus, the Russian Federation and China fall on one end of the full spectrum of warfare. But we must recognize that even though the Russian Federation and China are vigorous competitors, they are not committed enemies the way they once were. In fact, in important ways they are partners. What then is in the middle? The obvious candidates are North Korea and Iran because of their nuclear ambitions and bellicose behavior. Because it possesses nuclear warheads, the means to deliver them, as well as a large cohort of radical Islamists, Pakistan cannot be ruled out either. Pakistan’s role as a nuclear proliferators and safe-haven for radical Islamists must be factored into the equation as well.

Lastly, only the Pakistanis know how much of the U. S. aid they divert to their nuclear and missile programs. On the other end of the full spectrum of military conflict are counterinsurgency wars much like the ones in Iraq and Afghanistan. While these wars have no military solutions, they last a long time, and their cumulative costs in blood and treasure constitute a considerable burden on the nation’s economy and morale.

Economic Realities

Most individuals familiar with the subject appreciate the direct

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relationship between economic strength and military power. The question becomes: “How long can the U. S. retain its military preeminence if it loses its economic leadership?” The U. S. has run a trade deficit for 34 consecutive years with no end in sight. Annual budget deficits are endemic, and the national debt is $16 trillion and growing. On top of all that, the manufacturing base is eroding, and the U. S. work force is deficient with regard to science, mathematics, and engineering education. In other words, one cannot separate foreign policy from defense spending and the health of the economy.

There is growing pressure from many quarters to cut spending, balance the budget, and invest in education, research and development, and infrastructure. In the budget balancing process nothing is exempt, including the defense budget. There are many people in and out of Congress who are convinced that the DoD weapons procurement policy is characterized by weapons that don’t work designed to defeat enemies that don’t exist. Congressman Barney Frank, D-Mass., speaks for many legislators: “The math is compelling; if we do not make reductions approximating 25% of the military budget starting fairly soon, it will be impossible to continue to fund an adequate level of domestic activity even with a repeal of Bush’s tax cuts for the very wealthy. American well-being is far more endangered by a proposal for substantial reductions in Medicare, Medicaid, Social Security, or other important domestic areas than it would be by canceling weapons systems that have no justification from any threat we are likely to face.”

While there is hyperbole in the above statement, it is difficult to deny that DoD weapons procurement strategy is focused on future wars even while fighting current ones. Many Americans are beginning to realize what Europeans came to understand some years ago—that the classic choice between “guns and butter” is upon us. Europeans chose butter (the welfare state).

Conservative historian, Robert Kagan, offers a counterargument: “2009 is not the time to cut defense spending. A reduction in defense spending this year would unnerve American allies and undercut efforts to gain greater cooperation. There is already a sense around the world...that the United States is in terminal decline. Many fear that the economic crisis will cause the United States to pull back from overseas commitments. The announcement of a defense cutback would be taken by the world as evidence that the American retreat has begun.” What Robert Kagan overlooks is the fact that our allies have not paid their fair share of their own defense since the end of WWII, and it is about time that they became unnerved [2].

Historically, the U. S. has contributed 50% of NATO’s budget, and because many NATO partners have reduced their defense budgets recently, citing the economic downturn, the U. S. share has jumped to 75%. Given Europe’s prosperity, it should heed the warning issued by former Secretary of Defense, Robert Gates, at his NATO valedictory address to contribute much more to its own defense because the U. S. can easily lose the appetite to do so. Until recently just five of 28 NATO allies—the U. S., U.K., France, Greece, along with Albania-exceeded the agreed 2% of GDP spending on defense. Today, because of economic malaise in Europe, the percentage is closer to 1.5% and dropping.

Military Spending

While the 2011 DoD Base Budget plus “Overseas Contingency Operations” amounts to $721.3 billion, this is a serious underestimate since many military expenditures are included in the budgets of other agencies such as: Energy Department, State Department, NASA, Veterans Affairs, Homeland Security, Treasury Department, etc. When these expenditures are included, the total military spending budget is between $1.060 and $1.449 trillion per year. Using percentages of GDP in comparisons is misleading because of the distortions produced by large percentages of small GDPs and small percentages of large GDPs. Moreover, GDP continues to grow. If one stipulates a defense budget as a minimum percentage of GDP, Admiral Mullen, former Chairman of the Joint Chiefs of Staff, recommends a minimum of 4%, and then the defense budget continues to grow irrespective of the threats to U. S. security [2]. It would be difficult indeed to justify the assumption that threats to U. S. security will grow proportionally with the U. S. budget unless one assumes that the U. S. will continue to act as the world’s policeman.

The 2009 U. S. military budget accounts for over 40% of global arms spending and is six times larger than the military budget of China, which comes in at number two. The U. S. and its close allies are responsible for two-thirds to three-quarters of the world’s military spending. As much as the U. S. Navy has shrunk since the end of the Cold War, for example, in terms of tonnage, its battle fleet is still larger than the next 13 navies combined—11 of those 13 navies are U. S. allies or partners. No other nation has more than one aircraft carrier, while the U. S. possesses 10th and the 11th is under construction [2].

Does the U. S. get good value for its military expenditures?

There is an old British saying: “When you run out of money, you must begin thinking.” A variant of “Parkinson’s Law” operates here. Parkinson explained just how work expands to fill the time allotted for its completion. It appears as though exotic weapon systems expand as well to exhaust the money available in the DoD budget. As the result, fiscal austerity becomes the mother of an efficient and effective military. Because the DoD has been flush with funds since Ronald Reagan’s first presidential term, it became not only inefficient but ineffective as well. Because the U. S. defense budget is based more on politics than on military requirements, the U. S. is no safer as the result of its huge military expenditures. In other words, we should not confuse military expenditures with national security. It took a former general, Dwight Eisenhower, to alert this nation to the dangers of the military, industrial, congressional complex, but we continue to ignore his warning. Eisenhower was convinced that the "Pentagon Boys" exaggerated threats in order to get larger military budgets [1]. Basically, jobs in a politician’s district get him/her elected and reelected, and that is what matters, not real U. S. security interests, so far as military expenditures are concerned. Since the funds are available, defense contractors and “think tanks” dream up high tech super-weapons, spread the jobs around many political districts to get political support (e.g., Lockheed Martin has subcontractors for the F-35 in 47 states), and the military, still operating with a Cold War mentality, goes along under the pretext of needing the assets to wage the next large scale, conventional war [3].

A report by the Government Accountability Office last year meticulously documented that the Pentagon’s 95 largest weapon systems were nearly $300 billion over budget. Deloitte Consulting LLP concluded that cost-overruns have steadily worsened. Technical complexity accounts for an ever-increasing percentage of weapon’s cost overruns. Complexity is also the enemy of reliability and meeting deadlines. This is also true for the commercial sector with the Boeing 787 Dreamliner a classic case in point. The Ground Based Mid-Course Anti-Ballistic Missile Defense has had more test failures than successes over its lengthy development cycle precisely because it was built with transformational rather than mature technology. Talent shortages, especially in systems engineering, contributes to widespread quality and budget problems. This is true for both buyers and suppliers.
Lastly, flawed funding processes based on unrealistic cost estimates are integral part of the problem. Realistic cost estimates frequently are unavailable because most programs are funded and launched while there is still significant uncertainty about most everything [4].

The belief by many of our civilian and military leaders based on outdated mathematical formulas developed by Frederick Lanchester at the height of WW1 that technology will negate numerical superiority has led to a reliance on transformational technology which, in turn, has resulted in staggering product development costs and unprecedented product development life cycles [5]. The cost of one B-2 bomber is $2 billion, of one F-22A fighter is $355 million ($420 million with retrofit items), and the cost of the F-35 ground attack plane (the largest military contract ever) is escalating out of control so that it was placed by the former Secretary of Defense, Robert Gates, on a two-year probation, recently lifted by Secretary of Defense, Leon Panetta. This approach perforce mandated small quantities of weapon systems at outlandish unit costs. Unless this situation is reversed, the military will bankrupt itself with little in return, since these systems lend little to asymmetric warfare such as fighting terrorists and waging counterinsurgency conflicts - today’s contemporary and near-term threats.

Furthermore, quantity has its own advantage, and with small quantities, the U. S. will probably lack the necessary assets to win a large scale force-on-force engagement with a major adversary, creating the worst of both worlds scenario. To wit, when Soviet Field Marshal Georgy Zhukov, a man who knew more about large scale warfare than anyone else, with the possible exception of Napoleon, was asked at the end of WWII what it took to win a large scale military conflict, he responded: “More-more troops, more tanks, more planes, more ships, more artillery, etc.” The U. S.WWII experience mirrors Marshal Zhukov’s advice [6]. Moreover, small numbers of very expensive systems will be treated like house pets - not to be exposed to danger no matter the circumstances. A good example is the F-22A, which has yet to see combat. Some people, such as Sen. John McCain, doubt that it even has a mission. In mock close-range, one-on-one combat with the Eurofighter, a plane priced at less than half of the F-22 Raptor, the F-22A appeared to lose its advantage [7]. It is difficult to make the case that huge DoD budgets make the U. S. safer in light of the fact that the most vital phase of any weapon system is the planning phase because it is through this phase that the technical and economic viability of the weapon system is established, and a prudent timeline assured. For these reasons, this phase must be managed with the greatest care. During this phase, there must be intense oversight not only by the highest levels of the DoD, but also by the appropriate committees or sub-committees of Congress. If this were done, a fortune would not have been spent by the DoD on weapon systems that were later canceled because they were hopelessly behind schedule and unconscionably over budget. Notable examples are: The Navy A-12 Avenger II, the Crusader mobile artillery, Comanche helicopter, the Army Future Combat Systems, and the Marine Corps Expeditionary Fighting Vehicle. The last example merits an additional comment. The Navy and the Marine Corps have not made a forced landing since Inchon, Korea in 1950. Was this very expensive weapon system really needed or are the marines accomplished budget warriors?

The individuals engaged in the oversight must ensure that whenever possible low-hanging technological fruit and off-the-shelf components are incorporated into the weapon system, and firms with a proven track record are awarded the contracts. Once oversight and contract award are managed properly, supervision could be minimized so long as the final product is properly tested, and payments are made contingent on meeting performance specifications. Finally, fixed cost contracts should be encouraged instead of cost plus fixed fee. Otherwise, expensive systems that are over-budget and behind schedule will have to be cancelled only after a king’s ransom has been spent on their development.

In many cases, the only way to control the staggering cost of transformational technology is to rely on the strategy of upgrading existing weapon systems through the evolutionary strategy rather than creating new ones through transformational technology. Clearly, designing weapon systems from the beginning to possess the capability of being upgraded is essential. The Aegis/SM3 Anti-Ballistic Missile Defense System is being developed on the evolutionary principle using mature technology, and is making much more progress in every respect compared to the Ground Based Mid-Course Anti-Ballistic Missile System that is being developed using unproven transformational technology.

Unfortunately, the last phase (SM-3 IIB) of the European Phased Adaptive Approach has been delayed, ostensibly as the result of the sequester [8]. The PAC III and the Fleet Ballistic Missile Submarine systems offer further support for the evolutionary approach. In a world full of sophisticated weapon systems that are effective across the full spectrum of warfare also drives down the DoD budget [6].

For there to be a technology tree with important and useful low-hanging fruit, the DoD and the branches of the military must adequately fund basic as well as applied research. Toward that end, DoD must resist the temptation to shortchange basic and applied research so vital to our nation’s war-fighting technology solutions. Lastly, incentives should be provided to the private sector so that it would invest some of its own capital to grow the technological fruit tree as well as assuming some of the risk.
Consequences of the Disparity in the Size of the U. S. Defense Budget and those of Competitors

Post-Cold War arms race

While politicians disavow a post-Cold War arms race, facts on the ground put a lie to the disclaimers. When the U. S. announces its intentions to deploy anti-missile defenses, Russia announces its intentions to upgrade its offensive missiles with capability to neutralize the missile defenses. Moreover, Russia has developed its own anti-aircraft and anti-missile systems, with the S-4 as the most recent example. China, in order to deny access to its territory, is deploying missiles with the capability of destroying U. S. aircraft carriers at a distance of 2,000 miles. Both Russia and China are hell bent on developing low observable aircraft to neutralize the U. S. lead in that arena (China’s J-20 and Russia’s Sukhoi PAK FA_T-50). According to the Rand Corporation, China’s intermediate range ballistic missiles will neutralize U. S. tactical aircraft in the vicinity of Taiwan by destroying airfields in the area and aerial tankers trying to refuel U. S. aircraft. Led by China, there appears to be an insatiable global demand for unmanned aerial vehicles (drones), in part to neutralize the U. S. advantage. Simply put, China and the Russian Federation are not about to cede uncontested world hegemony to the U. S. Japan and the U. S. are jointly developing an anti-missile system to protect Japan against North Korean missile threats, while the U. S. and NATO are creating an anti-missile shield to protect Europe against Iranian missile threats. Saudi Arabia and the United Arab Emirates are spending a king’s ransom on weapons in case Iran acquires nuclear weapons. “The New Start Treaty” between the U. S. and Russia limiting nuclear warheads and their delivery systems is a welcome example to the contrary.

Strategy for Correcting Trade Imbalances

Limitations of the “Theory of Comparative Advantage”

The justification for international trade is the “Theory of Comparative Advantage” popularized in 1817 by David Ricardo when agriculture dominated economic trade, which is no longer the case. The theory depends on the immobility of factors of production, such as capital and labor. It also assumes that all economic facilities in the trading nations are fully and efficiently employed. In technical terms, this is called operating at the production possibility frontier. Clearly, that is not the case in many nations, especially China and India with approximately 40% of the world’s population. The theory also rests on natural advantages created by geographical location, transportation networks, climate, quality of soil, availability of resources, and industriousness of the people, not on barriers created by governments practicing neo-mercantilism, or state sponsored capitalism, as is often the case [6,9,10].

While most people appreciate the vulnerability of manufacturing jobs to off shoring, they often fail to realize that digitization coupled with the fiber optic highway exposes many service jobs to off shoring as well. Princeton economist Alan Blinder, a former vice chairman of the Federal Reserve Board, estimates that between 42 and 56 million U. S. jobs are susceptible to off shoring [9].

Lastly, “Free Trade” relies on a level playing field, and that is little more than a distant dream [6,10].

Politics trumps “free trade”

Countries with large populations, such as China and India, in order to maintain political stability are not interested in fair trade but in creating the largest number of jobs for their citizens. For example, China has already relocated 300 million people from rural areas to cities and has plans to relocate 200 million more. These people need jobs if social unrest is to be avoided, and huge trade surpluses by these countries guarantee job creation. Creating low-value products with low-wage workers is a temporary expedient. As Thomas Friedman [11] points out, China and India are not racing the U. S. to the bottom but instead to the top of the economic food chain. While China is building magnificent cities and an impressive infrastructure, U. S. cities in the manufacturing belt, such as Detroit and Cleveland, and the country’s infrastructure are going to hell in a hand basket [6,10].

While it is true that exports support jobs in the U. S., it is equally true that imports displace them. The net effect of trade flows on employment is determined by changes in the trade balance. The vast bulk of all Chinese exports are manufactured goods. Between 2001, when China entered WTO, and 2008, the U. S. has lost 2.4 million manufacturing jobs as the result of its trade imbalance with China. In addition, the U. S. lost 2.9 million jobs in 2009 and 3.5 million in 2010. Relying on the WTO to insure fair trade is foolhardy, indeed. We must be mindful that increased productivity resulting from technological innovation is also responsible for loss of jobs in the U. S. as well as China and elsewhere, thereby increasing pressure to rely on exports for job creation [12].

Playing hardball with our trading partners

The trade agreements negotiated so far by U. S. Trade Representatives favor U. S. trading partners. It has been estimated that between 750,000 [13] and 879,280 [9] U. S. jobs have been lost as the result of NAFTA. When these trade representatives leave office, they start consulting firms and are paid large retainers by countries to which they gave away the store [9]. It is for the above-mentioned reasons that Lee Iacocca [14] argues that “free trade” does not imply “fair trade.” Warren Buffett agrees with Iacocca. Both men propose that in the interest of fairness, the reciprocity principle be adopted as U. S. trade policy. Trading partners must buy (in U. S. dollars) from the U. S as much as the U. S. buys from them in U. S. dollars [9,14]. Establishing foreign plants in the U. S. is equally acceptable. Demanding that our trading partners honor intellectual property rights if they wish access to our markets should be part of the deal as well.

Such a policy would neutralize not only wage differentials, neglect of the environment, and disregard for workers’ rights, but also such practices as illegal subsidies, currency manipulation, tax advantages, transfer price manipulation, border tariff adjustments, low interest loans to Chinese companies, and interception by lobbyists without creating bloated and inefficient bureaucracies. In order to avoid the dislocation associated with a sudden disruption in established trade patterns, it will be necessary to phase in the aforementioned policy over a reasonable time frame.

What if our trading partners threaten the U. S. with economic retaliation? Let them do so. The U. S. consumer is the main engine of the economies of our trading partners. Economic retaliation would injure their economies much more than ours. We have the most powerful bargaining chip of all- the U. S. market [14]. Furthermore, our allies and partners would have to pay much more for their own defense, thereby relieving the upward pressure on the U. S. defense budget.

Clearly, it is difficult to play “hardball” with trading partners who hold large amounts of U. S. securities, e.g., China. As we know, bankers hold the upper hand. Until U. S. citizens save more and U. S.
companies export more, there is no solution to the dilemma. The task of the Federal Government is to facilitate both.

**Free trade and creative destruction**

From the standpoint of job creation, evidence dictates that Schumpeter’s [15] defense of the free marketplace as a mechanism of efficiency and innovation does not extend to international competition. It is the competition within the boundaries of a country that benefits the workers of that country so far as job creation is concerned. Many twentieth century innovations were created in the U. S. For example, television, telephone, light bulb, computers, calculators, VCR’s, copy machines, microwave ovens, nuclear technology, robotics, the airplane, many medicines, etc. were invented in the U. S. [16]. However, the payoff is not in the invention, which is but an expense, but in the manufacture and sale of industrial and consumer applications of the innovations. Thus, workers in Japan, China, India, Singapore, Malaysia, Philippines, etc. are now the major beneficiaries of U. S. innovations, in part because intellectual property rights are not always honored [6]. For example, Apple Corporation employs about 700,000 people around the globe. Of that number, only approximately 43,000 work in the U. S. Of course, consumers everywhere benefit from creative destruction.

**Other myths in need of debunking**

Jobs that are off shored will not be replaced by jobs invented by a creative and flexible society. Motorola, Texas Instruments, HP, GE, Intel, Microsoft, IBM, Dell, and every Silicon Valley venture firm are spending billions of dollars in Asia in order to take advantage of cheap, educated, and motivated labor. Mind you, these are high tech jobs created in the U. S. The Bureau of Labor Statistics projects that the following jobs will experience the fastest growth [17]:

- Waiters & waitresses
- Janitors and cleaners
- Food preparation
- Nursing aids, orderlies, and attendants
- Cashiers
- Customer service representatives
- Retail salespersons
- Registered nurses
- General and operational managers
- Postsecondary teachers

Notice that only three of these job classifications require a college education. If anything belies the claim that jobs lost to off shoring will be replaced by high tech jobs, these data do. While improving primary and secondary education in the U.S., especially in science and mathematics, is important, the U. S. will not educate itself out of its dilemma. For example, the U. S. yearly graduates 90,000 engineers, China alone graduates 350,000 [13].

**Foreign Policy Goals**

It appears that U. S. foreign policy rests on three propositions. One, spread democracy; two, encourage free trade with the referee of what is free trade being the World Trade Organization (WTO); three, prevent nuclear proliferation. It is hoped for that spreading democracy will also extend human rights, that free trade will assist economic development, thereby reducing poverty, and the prevention of nuclear proliferation will increase the chances of peaceful relations between nations. First, we must ask: Are these goals reasonable and realistic?

We in the U. S. should realize that democratic values have not been embedded by tradition in every culture. In the Middle East, with the exception of Israel, there are no democratic traditions, and we should not be surprised. After all, democracy is a European invention dating back to the ancient Greek city-states. And modern Israel was founded by Europeans-the Ashkenazi Jews-who brought the European parliamentary system with them. In the rest of the Middle East, the legacy established by the early Caliphs-successors to Mohammed and his close friends or relatives-set expectations for posterity. An autocrat ruled so long as he was on good behavior. In other words, if he treated his subjects in an evenhanded way, honored their traditions, did not publicly flout the Koran, and did not levy onerous taxes, he was expected to rule for life. All along, the touchstone of good government in that part of the world seems to have been centered on the concept of justice, not democracy.

A review of Russian history reveals a strong autocratic streak, and it will take generations before western democratic traditions take hold. Ditto for China. India is a different story as a result of the British Raj (1858-1947) which helped to create the world’s most populous democracy. Iraq and Afghanistan not only lack a democratic tradition but also a history of a strong central government.

One must question the wisdom of trying to impose Western democracy on a region like the Middle East, which encompasses 22 nation states with close to 300 million people, contains 60% of the world’s oil reserves, and has 40% of the world’s natural gas reserves. Too frequently attempts at democracy in the Middle East results in “one man, one vote, and one time.” That is not to suggest that people will not protest autocratic rulers who are corrupt and do not deliver the basics of a decent life, such as: jobs, education, housing, medical care, and adequate foodstuffs at affordable prices. Recent experiences in Bahrain, Tunisia, Egypt, Jordan, Yemen, Libya, Syria, and other countries in the region prove that they will. At times the protests result in a change of government. More often than not, they lead to a redress of some grievances without an actual change of government. Clearly, the greatest advantage of democracy remains its ability to change leadership in a peaceful manner, while in non-democratic societies a change of government frequently requires the use of force. In any case it is preferable for the people of a country to bring about change that they prefer than to have someone else’s preferences imposed on them, especially at gunpoint. Countries that rely on “hard” power are typically viewed as bullies and are disliked. U. S. experience in Iraq and Afghanistan drives home the point.

We must resist the temptation to conclude that only democracy can produce effective governance. History is replete with examples of autocratic rulers who are just, humane, and govern in an enlightened manner. Also, we must concede that our system has difficulty solving problems such as crime, environmental degradation, health care for millions of citizens, equitable income distribution, and an adequate quality of life for a significant proportion of the population. One can only imagine how China would look if it were governed by a democratic system. The best guess is that it would look like India.
The Conflation of Foreign Policy, Defense Spending, and Economic Policy

Not all autocrats are the same

It is necessary to realize that there are different kinds of autocrats, and that it takes much more than voting to create a viable democracy. After all, Mubarak stood for election many times without real opposition, and the elections changed nothing. Sultan Qaboos of Oman and King Abdullah II of Jordan should not be confused with Moammar Gadhafi of Libya, or Bashar al-Assad of Syria, even though all are autocrats. First of all, for democracy to change peoples’ lives, the economy must have the potential to create wealth. Second, institutions must be in place to guarantee that the wealth that the economy creates is distributed to the many rather than to the few who are close to the source of power.

The U. S. lacks the luxury of dealing only with liberal democracies. For geopolitical reasons it must have relations with autocratic governments as well. However, the U. S. State Department should establish minimum conditions before it enters into political, economic, and military relations with an autocratic government. First and foremost is vital self-interest. Other conditions should include progress with respect to providing: Economic opportunities for the many, education for the young, gender equality, the right to protest peacefully, fair treatment of minorities, and the desire to live in peace with neighbors. Movement toward representative government is also desirable, with constitutional monarchy a viable alternative for a number of the nations in the Middle East. Prime ministers should be elected, as should members of bicameral bodies such as Majlis al-Shura and Majlis al-Dawla, which currently are appointed, consultative assemblies. Furthermore, these bodies should be vested with law making authority. Kuwait serves as an excellent example. In short, foreign policy should be “principle” based rather than “expedience” based, as is the case of Pakistan.

U. S. foreign policymakers must resist the temptation to intervene militarily with large numbers of troops. First, our allies and partners no longer are predisposed to follow us from foxhole to foxhole. Second, U. S. citizens are suffering from war fatigue. Third, military invasions tend to galvanize the population against the invader, leading to large insurgencies. Lastly, we can no longer afford military interventions when vital U. S. interest is not at stake. Therefore, the economy should be protected, not the military; since nation building frequently lasts longer than the military threat, requires different competencies, and detracts from the core competencies of the military. While nation building will require enhancing the budget of the State Department and to the U. S. Agency for International Development (USDIA), and not the military; since nation building frequently lasts longer than the military threat, requires different competencies, and detracts from the core competencies of the military. Again, Iraq and Afghanistan are prime examples. The nation building part should be assigned to the State Department and to the U. S. Agency for International Development (USDIA), and not the military; since nation building frequently lasts longer than the military threat, requires different competencies, and detracts from the core competencies of the military.

Foreign policy also requires trust

On September 17, 2009 the United States announced the cancellation of plans to deploy Ground Based Interceptors in Poland and missile tracking radar in the Czech Republic. Russia strongly objected to both so the U. S. announced that it would replace the Ground Based Interceptors in Poland and radar in the Czech Republic with a ground-based Aegis/SM-3 System. On March 15, 2013, U. S. Secretary of Defense, Chuck Hagel, announced that the SM -3 IIB program to which Russia also objected was being delayed giving the sequester as the reason. It appears to our NATO allies, however, that this administration is more concerned about placating Russia than in providing security to its allies. This is no way to build trust among allies.

The U. S. persuaded eight allied nations to partner with it on the Lockheed Martin F-35 Joint Strike Fighter as the cornerstone of their air power. However, the cost of that plane has escalated to the point that some of these allies believe that they were let down and are either reducing the size of the purchase, contemplating exiting the partnership, or considering less expensive planes to meet their defense needs.

Preference for “soft power”

According to international polls taken by the Pew Foundation (and others), the U. S. is considered one of the biggest threats to peace; probably because of its willingness to resort to military force -“hard power,” if you will [18]-- and its huge defense budget, which provides a temptation to intervene militarily. We shall continue to run into serious problems so long as we pursue a colonial foreign policy in a post-colonial era, which is what “hard power” is all about. While there are many examples of “soft power,” such as foreign aid, disaster relief, and diplomacy, especially abiding by U. N. resolutions, the most effective form of soft power is leading by example, which involves supporting enduring America values.

Nation building inseparable from counter insurgency

While it is easy to eschew nation building during political campaigns, as a practical matter nation building goes hand- in- hand with counterasynergy warfare. Again, Iraq and Afghanistan are prime examples. The nation building part should be assigned to the State Department and to the U. S. Agency for International Development (USDIA), and not the military; since nation building frequently lasts longer than the military threat, requires different competencies, and detracts from the core competencies of the military. While nation building will require enhancing the budget of the State Department and USDIA, the DoD budget can be reduced by a compensating amount.

Conclusion

It is axiomatic that military capability is largely dependent on the strength of the economy, unless the government is prepared to immiserate its population, e. g., North Korea now and the Soviet Union during the Cold War era. Therefore, the economy should be protected, especially the manufacturing base, by insuring that our trading partners buy from us as much as we buy from them irrespective of
the implications of outdated economic theories such as the Theory of Comparative Advantage [19]. Moreover, the U. S., as an incentive and as a reward, should restrict its trade and military assistance to nations whose governments are making progress toward our foreign policy goals that should be made as transparent as is practicable. Clearly, pursuing a “trade parity” economic policy based on reciprocity is a daunting challenge so long as our leading trading partners hold huge amounts of our securities. Therefore, U. S. citizens need to save more, U. S. companies need to export more, and the U. S. government needs to enact economic policies that enable both.

Harvard economist, James Duesenberry, observed that certain factors, such as prices and wages, had a strong tendency to go up when economic theory dictated that they should go up and down, depending on economic circumstances. This tendency has become known as the “Duesenberry Ratchet.” The DoD budget should do likewise, depending on the threats to our national security. Yet it tends to go up regardless. Our military budget should be aligned with existential and foreseeable threats, and not because of political considerations. Moreover, military and economic aid should be provided in accordance with our national interest, and not on the basis of powerful lobby groups. Weapons systems should be predicated on neutralizing real threats and developed in an evolutionary manner relying on “low hanging fruit” and off-the-shelf components with as little reliance on military specifications as is practicable. Cost plus fixed fee contracts should be avoided since they tend to extend the development cycle and increase cost. The strategy of using job creation as an excuse to develop weapons that cannot be justified otherwise is both inefficient and counterproductive. Quite frankly this dog will not hunt any longer.

The U. S. should shun military engagements, especially those requiring large ground forces, and utilize the expertise of regional and country experts when deliberating military intervention. Military intervention should be considered only after a realistic cost/benefit analysis conducted by the most knowledgeable persons on the matter in question with minimal boots on the ground, if any. The impact on the economy, on military expenditures, and on our foreign policy goals should be the basis of the analysis. The second Persian Gulf War is a case study of how not to do it, followed closely by Afghanistan. Whenever practicable, U. S. foreign policy should be predicated on “soft power” instead of “hard power,” the stuff of foreign policies during the colonial period. The U. S. no longer can rely on its economic might to pay for everything. It must make informed and difficult tradeoffs between economic reality, military capability, and foreign policy goals in order to remain a key player on the world stage and reap a “peace dividend” in the post Iraq and Afghanistan period.

The recommendations presented in this effort would probably have prevented our involvement in Vietnam, the first and second Gulf Wars, and Afghanistan, but most historians, civilian and military alike with the benefit of hindsight, have concluded that this on balance would have been a good thing, especially with respect to our foreign policy.

Biographical Sketch

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