

The background is a collage of three elements: a historical map of the world, a one-pound coin, and a one-dollar bill. The map is a historical version, showing continents and oceans with various place names. The coin is a gold-colored one-pound coin, and the bill is a green one-dollar bill. The text 'CSBA' is overlaid on the top part of the map.

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Center for Strategic and Budgetary Assessments

STRATEGY IN AUSTERITY

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EXECUTIVE SUMMARY

How does the leading power in the international system sustain its global position while facing the prospect of relative decline and an extended period of fiscal austerity? The answer to this question is fundamental to American policymakers' prospects for sustaining U.S. primacy in the international system.

This report examines how dominant powers, when confronted with an extended period of rising security challenges and stagnant or declining resources, have attempted to sustain their position relative to their military competitors. Its purpose is to identify the most effective elements of their strategies and provide policymakers with insight into how to address the United States' current situation. Employing a case study methodology, this report examines how two dominant powers in the last century—the United States and Great Britain—sought to sustain their position during a period of relative decline.

In the former case, beginning in the late 1960s, the United States sought what President Richard Nixon called a “new approach to foreign policy to match a new era of international relations.” During the 1970s, the United States was able to preserve and ultimately strengthen its dominant position by opening relations with China to leverage the Sino-Soviet split, ending the war in Vietnam, adopting the so-called Nixon Doctrine, pursuing détente with the Soviet Union, and investing in new sources of military advantage, to include cost-imposing strategies, such as the development of stealth aircraft and maintaining a capable bomber force.

The second case centers on Great Britain at the beginning of the 20th century. To sustain its global position in a period of relative economic decline, Britain developed new diplomatic and naval strategies, the latter of which exploited new technologies and leveraged time as a key resource. These strategies allowed Britain to concentrate its power against Germany, the most dangerous threat to its position.

This report identifies seven elements of the overall strategies employed by the two powers to bring security goals in line with available means, to include:

- > Allocating more resources to defense;
- > Employing defense resources more efficiently;
- > Enhancing force effectiveness;
- > “Outsourcing” to Allies and Partners;
- > Increasing risk and divesting commitments;
- > Cost-imposing and time-based competition; and
- > Negotiating with the principal rival.

Two case studies show how the dominant powers of their time, the United States and Great Britain, employed these elements to a greater or lesser extent. The following discussion suggests some “lessons learned” for U.S. policymakers as they confront today’s challenges. They can be summarized as:

ALLOCATING MORE RESOURCES TO DEFENSE

Despite Great Britain’s and the United States’ dramatic increases in social spending during these periods, both countries maintained a sufficiently strong financial foundation to enable a surge in defense spending when it became necessary. At the risk of stating the obvious, this places a premium on the United States getting its severely damaged economic house in order.

EMPLOYING DEFENSE RESOURCES MORE EFFICIENTLY

Great Britain implemented a series of reforms to enhance the efficiency of its armed forces. The Haldane Reforms combined the lessons learned from the Boer War and the initiation of staff talks with the French to reshape the British Army as a true rapid expeditionary force capable of fighting a major war on the Continent, while also reforming the country’s reserve forces. In addition to realizing substantial savings, the reforms better prepared the British Army for its subsequent role in World War I. By repositioning the fleet, shifting to new (and more relevant) types of warships, and creating nucleus crews, the Royal Navy was able to retire over 150 ships while enhancing its fighting strength, all at a reduced cost.

The same praise cannot be accorded in the U.S. case. The Americans transitioned to an all-volunteer force from a conscripted force without adjusting compensation rates accordingly. The result, when combined with cuts in operations and maintenance budgets, saw military capability and readiness levels plummet.

At present, the United States seems to be on the path it followed in the 1970s. In 2011, both Defense Secretaries Gates and Panetta announced that the Pentagon would achieve significant savings, to the tune of roughly \$200 billion over the next five years. Historically such impressive declared savings initiatives have realized only a small fraction of what they project. The result is greater inefficiency as a new round of unplanned for budget cuts must be enacted.

ENHANCING FORCE EFFECTIVENESS

The first decade of the twentieth century saw not only downward pressure on the British defense budget, but rapid advances in military-related technologies, including those related to submarines and torpedoes, long-distance communications (i.e., wireless and undersea telegraph cables), propulsion (e.g., oil-fired engines and turbine engines), and firepower (e.g., all big-gun warships). The Royal Navy's decision to invest in these expensive but operationally effective technologies resulted in a more efficient navy that proved far more capable of meeting the demands of a changing security environment.

The same can be said regarding advances in military technology in the 1970s. Like Britain, the United States protected its military "seed corn" by investing in science and technology, and in programs that over time yielded substantial improvements in military effectiveness. The result, in the form of capabilities such as stealth aircraft and precision-guided munitions, represented a major leap forward in military effectiveness, one that the Soviet Union could neither match nor offset at any reasonable cost.

Today, military-related technology is also advancing at a remarkable rate. It is far from clear, however, that the United States is able to exploit its full potential. Major programs like the Army's Future Combat Systems, the Navy's new destroyer (DDG-1000) and cruiser (CG-X), the Marine Corps Expeditionary Fighting Vehicle, and the Air Force's Airborne Laser have either been cancelled or severely truncated owing primarily to cost overruns and production delays. Although modest advances have been made in unmanned systems and cyber weapons, it remains to be seen whether the Defense Department can follow the path of the defense establishments in the two case studies and field advanced, relevant systems that improve force effectiveness while at least partially offsetting the consequences of significant budget reductions.

OUTSOURCING TO ALLIES AND PARTNERS

In both case studies, the dominant powers sought to enlist allies and partners to bridge the gap between their ambitions and the resources available to meet them. The results were impressive, if not uniformly advantageous or devoid of risk.

Great Britain's diplomacy rearranged the alignment of the great powers in the span of a decade. Former rivals—France and Russia—became partners while improved relationships with the United States and Japan were forged. Although not without risk (both Japan and Russia would eventually become Britain's enemies), the relationships proved sufficiently enduring to allow the British to address the challenge posed by Germany, the “wolf at the door.”

Under President Nixon, the United States made similar efforts to reshape the global chessboard through an opening to China and by providing support to key regional partners. In the case of the former, these efforts proved remarkably successful in countering the Soviet threat. The Nixon Doctrine in Vietnam was far less successful, as South Vietnam proved unable to repel the North Vietnamese invasion after the withdrawal of U.S. support. A somewhat similar fate befell the Shah of Iran, America's “policeman” in the Persian Gulf. In 1979 the Shah's regime collapsed in the face of an Islamic fundamentalist revolution. On balance, however, Nixon's triangular diplomacy led to China's shift from a long-standing rival to an informal U.S. partner.

Current U.S. strategic guidance calls for the United States to enhance its portfolio of allies and partners. It is too soon to judge how well Washington's efforts will succeed. Given the major benefits realized by the two subjects of our case studies, however, such an initiative is clearly worth the effort.

INCREASING RISK AND DIVESTING COMMITMENTS

Both Great Britain and the United States accepted increased risk to their security as a necessary consequence of a proliferated threat and reduced resource environment. The Royal Navy's radical shift in battleship design in the form of the *Dreadnought* gambled on the ability of all big-gun ships to hit distant targets and on the success of relatively new turbine engines to displace reciprocating engines. Other risky “big bets” were made in shifting the fleet to oil propulsion, sacrificing armor protection for speed and firepower in the battle cruisers, and adopting flotilla defense as a key element in defending Britain's homeland. In the 1960s and 1970s, the U.S. Defense Department undertook similar risks on expensive and largely untested capabilities, such as stealth aircraft and precision-guided munitions.

Fortunately, these gambles on new kinds of military capabilities paid off far more than they failed. As noted above, this has not been true of many recent U.S. military programs, which have been cancelled or seen production truncated after an expenditure of tens of billion of dollars. The good news, one supposes, is that, with so much room for improvement, the U.S. Defense Department can realize far greater benefits in this area of the competition than has recently been the case.

COST-IMPOSING AND TIME-BASED COMPETITION

Both the British and the Americans proved fairly adept at cost-imposition. Britain, for example, leveraged its industrial base to produce ships of high quality quickly, thereby complicating rivals' planning. American investments in stealth and bomber aircraft in the 1970s compelled the Soviet Union to pay a substantially higher price to continue guarding its airspace from any intruder. Given the length of the Soviet Union's border, the longest in the world at over 12,000 miles, maintaining the required density of air defense systems over that distance would impose enormous costs on the Soviet military budget.

At present, there is no indication that the United States is pursuing cost-imposing strategies either in the January 2012 planning guidance or otherwise. That said, this does not necessarily mean the U.S. Defense Department is not pursuing such strategies, which are often not publicized.

NEGOTIATING WITH THE PRINCIPAL RIVAL

Although both Great Britain and the United States engaged in negotiations with their principal rivals, neither U.S. agreements with the Soviet Union nor British efforts to limit the naval arms race with Germany significantly reduced the military competition. At present, there are no negotiations under way between the United States and its military competitors that promise to greatly reduce the U.S. defense burden, nor do any seem likely in the foreseeable future.

In summary, the two case studies suggest that there are a number of ways in which the United States can close the gap between its security objectives and the resources likely to be made available to meet them. The United States at present generally has not undertaken the kind of initiatives pursued in the two case studies presented in this report. To the extent it has, the efforts have been comparatively meager.

On a more positive note, the United States is just now beginning to come to grips with the problem. The story of how well, or poorly, it responds to the challenge of maintaining its dominant position in an age of austerity has yet to be written.

CHAPTER 1 > INTRODUCTION

SIMON CHIN & ANDREW F. KREPINEVICH

How does the leading power in the international system sustain its global position while facing the prospect of relative decline and an extended period of fiscal austerity? Since the early 1990s, the United States' preponderant power has been the defining characteristic of the post-Cold War era,¹ which might legitimately be called the "Pax Americana." Presiding over what Charles Krauthammer declared "the unipolar moment,"² the United States became the first leading state in modern times to enjoy decisive preponderance in all aspects of national power: economic, military, technological, and geopolitical.³ Yet in the last half decade, the perceived distribution of international power has shifted dramatically, driven by America's difficulties in the wars in Afghanistan and Iraq, the rise of emerging market economies such as China, India, and Brazil, and the global financial crisis and economic downturn in the United States. The debate over "declinism"—"a recurrent feature in the cycles of U.S. intellectual discourse regarding the state of the nation since its founding"—has re-emerged in full force in both academic and policymaking circles.⁴

Over the past year, the declinist debates, together with discussions over the long-term fiscal outlook of the United States, have combined to create a "perfect storm" for policymakers, who seek to fulfill America's worldwide commitments and confront emerging security challenges while facing the prospect of significant

¹ Christopher Layne, "The Unipolar Illusion Revisited: The Coming End of the United States' Unipolar Moment," *International Security*, 31, No. 2, pp. 7–41.

² Charles Krauthammer, "The Unipolar Moment," *Foreign Affairs*, 70, No. 1, Winter 1990/1991, pp. 23–33.

³ Eric S. Edelman, *Understanding America's Contested Primacy* (Washington, D.C.: Center for Strategic and Budgetary Assessments, 2010), p. xvii.

⁴ *Ibid.*, pp. ix, 4.

A strategy that seeks to recapture the level of preponderance the United States enjoyed in the 1990s appears unrealistic.

reductions in defense spending over the next decade. While the emergence of a genuinely multipolar world is far from imminent, it is likely that the United States will face an “era of contested American primacy” in which U.S. preponderance will be severely tested by the rise of China in Asia, the emergence of new nuclear powers like Iran, and the persistent problem of global terrorism. The principal challenge for the United States will not be to contain a global peer competitor, as in the Cold War, but rather to maintain a balance of power in Asia and in the Middle East, and to maintain access to the global commons—the seas, space, and cyber space.⁵

In this era of contested American primacy, the United States will also be constrained by growing U.S. economic limitations and, in particular, the likelihood of declining U.S. defense budgets. If major cuts in defense funding are inevitable, the Department of Defense (DoD) must work to minimize the additional risk to national security. Ideally, a lack of resources would stimulate an increased emphasis on strategy—how scarce resources might be employed most efficiently and effectively. Indeed, fiscal constraints and the emergence of new security threats could stimulate much-needed organizational change and innovation and compel the Defense Department to revisit its strategic priorities and reconsider how it employs limited means to secure U.S. vital national interests.

Such a reconsideration of national strategy will have to answer, at least implicitly, the fundamental question raised by Robert Jervis at the end of the Cold War: “Is the game worth the candle?” That is, is the value of global primacy worth the cost to the U.S. taxpayer of sustaining the United States’ leading position in the international system?⁶ Any answer to this question would rely crucially, first, upon an assessment of the relative power position of the United States in the international system. This would be followed by an examination of the various strategies that might be adopted to best achieve its security objectives.

It is almost certainly true that the United States will no longer enjoy the level of global preponderance that it did at the height of the “unipolar moment” from 1991 to 2001. With the rise of emerging economies around the globe—China and India, in particular—the United States’ economic power, as measured by its share of global GDP, will almost certainly decline over the coming decades.⁷ Meanwhile, the growing challenges to U.S. power-projection capabilities, particularly in contested areas like the Western Pacific and the Persian Gulf, signal an erosion of the United States’ military advantage over its competitors. A strategy that seeks to recapture the *level* of preponderance the United States enjoyed in the 1990s appears unrealistic.

⁵ Eric Edelman, *A Grand Strategy for an Era of Contested American Primacy* (Washington, D.C.: Center for Strategic and Budgetary Assessments, 2011), pp. 3-4.

⁶ Robert Jervis, “International Primacy: Is the Game Worth the Candle?” *International Security*, 17, No. 4, pp. 52-67.

⁷ For examples of long-term economic projections that forecast the erosion of America’s economic position, see Price-Waterhouse Cooper, “The World in 2050,” (January 2011), available at http://www.pwc.com/en_GX/gx/world-2050/pdf/world-in-2050-jan-2011.pdf; and Dominic Wilson and Roopa Purushothaman, “Dreaming with BRICS: The Path to 2050,” Goldman Sachs (October 2003), available at <http://www.goldmansachs.com/our-thinking/brics/brics-reports-pdfs/brics-dream.pdf>.

At the same time, the United States need not abandon its global commitments and disengage from its unique leadership in the world. While American power may be in relative decline, the United States will still be a leader or the leader in all dimensions of national power for some time to come. As Fareed Zakaria has observed:

The United States does not have the hand it had in 1945 or even in 2000. Still, it does have a stronger hand than anyone else—the most complete portfolio of economic, political, military and cultural power—and it will not be replaced in the foreseeable future.”⁸

It seems likely that the path of relative decline will still leave the United States as the most powerful single actor in the international system.⁹ Moreover, there is no nation, or coalition of nations, capable of filling the power vacuum should the United States decide to abdicate its position of global leadership. And while the trends in the global environment suggest the diffusion of power away from the United States, it will still be within the power of the United States to influence key trends and events in a more favorable direction. Indeed, an effective strategy could accomplish just that.

While a comprehensive answer to this question is beyond the scope of this paper,¹⁰ it appears there is a bi-partisan consensus that remains convinced that the game is, indeed, “worth the candle” and believes that a strategy of sustaining U.S. primacy serves both the national and global interest.¹¹ In his 2012 State of the Union address, President Barack Obama committed the United States to continuing its role as the world’s principal power:

Yes, the world is changing. No, we can’t control every event. But America remains the one indispensable nation in world affairs—and as long as I’m President, I intend to keep it that way.¹²

⁸ Fareed Zakaria, *The Post-American World* (New York: W.W. Norton, 2008), p. 231.

⁹ Edelman, *Understanding America’s Contested Primacy*, p. 15.

¹⁰ The issue is addressed in detail in Eric S. Edelman’s report, *Understanding America’s Contested Primacy*. See Edelman, *Understanding America’s Contested Primacy*, pp. 9-15.

¹¹ See, for example, Hillary Clinton, “America’s Pacific Century,” *Foreign Policy*, November 2011, available at http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century. On the Republican side, see Mitt Romney’s foreign policy white paper, “An American Century: A Strategy to Secure America’s Enduring Interests and Ideals,” October 7, 2011, available at <http://www.mittromney.com/blogs/mitts-view/2011/10/american-century-strategy-secure-americas-enduring-interests-and-ideals>.

¹² Barack Obama, State of the Union Address, January 24, 2012, The White House, Office of the Press Secretary, <http://www.whitehouse.gov/the-press-office/2012/01/24/remarks-president-state-union-address>. See also President Obama’s prefatory letter to the Pentagon’s revised strategic guidance that emphasized “preserv[ing] American global leadership” and “maintain[ing] our military superiority.” Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century*, Defense, January 2012, http://www.defense.gov/news/Defense_Strategic_Guidance.pdf.

This report, therefore, takes as a starting point the position that the United States should not—and need not—accept the inevitability of decline to the status of one power among many, but rather seek to extend its position of global primacy. Yet this report also acknowledges the reality of the current U.S. fiscal predicament and the likelihood of significant additional cuts to DoD's base budget over the next decade beyond the substantial cuts already announced. The United States will have to bring ends and means into far better alignment in this age of fiscal austerity.

With an eye toward how this might best be accomplished, this report examines how dominant powers, when confronted with an extended period of rising security challenges and stagnant or declining resources, have attempted to sustain their position relative to their military competitors. Its purpose is to identify those elements of their strategies that were most (and, correspondingly, least) effective, and how the insights derived from their experiences might prove useful in addressing the United States' current situation.

While history does not repeat itself or offer precise comparisons, it can provide examples of how a good strategy can help mitigate a decline in resources in the face of growing security challenges. In order to assess historical examples that provide the closest analogues to the United States today, this report examines two cases in the past two centuries in which the leading power in the international system sought to sustain its position during a period of relative decline: Great Britain in the late 19th and early 20th centuries and the United States during the 1970s.

In the former case, Great Britain developed a strategy to sustain its worldwide imperial position, even as it confronted relative economic decline, the ambitions of multiple rising powers, and growing threats to its imperial holdings around the globe. The British found notable success in a skillful naval strategy that exploited new technologies and leveraged time as a key resource. When this was combined with a new diplomatic strategy, Britain was able to concentrate its power against Germany, the most dangerous threat to its position.

The second case finds the United States recognizing that a relative decline in U.S. power required what President Nixon called a “new approach to foreign policy to match a new era of international relations.”¹³ The United States sought to preserve and ultimately renew its dominant position. Its strategy centered on opening relations with China to leverage the Sino-Soviet split, ending the war in Vietnam, adopting the Nixon Doctrine, pursuing détente with the Soviet Union,

¹³ “U.S. Foreign Policy for the 1970s,” February 18, 1970, Department of State, *Foreign Relations of the United States, 1969-1976*, vol. 1 (Washington, DC: GPO, 2003), p. 196. Quoted in George Herring, *From Colony to Superpower: U.S. Foreign Relations Since 1776* (Oxford; New York: Oxford University Press, 2008), p. 760.

and investing in new sources of military advantage, to include cost-imposing technologies, such as stealth.

The case studies will be structured around the different elements of the overall strategies employed by the two historical powers, to include:

ALLOCATING MORE RESOURCES TO DEFENSE. Defense hawks argue that the United States has sustained a significantly higher level of spending on defense than it does at present, as measured by GDP.¹⁴ They note that even with the funding for the wars in Afghanistan and Iraq, defense consumes less than 5 percent of U.S. GDP, a level substantially lower than the average sustained over the 40-year Cold War.¹⁵ That being said, the country's overall fiscal position is far worse than at any time during the Cold War. As former Secretary Gates observed in January 2011:

[T]his country's dire fiscal situation—and the threat it poses to American influence and credibility around the world—will only get worse unless the U.S. Government gets its finances in order. And as the biggest part of the discretionary federal budget the Pentagon cannot presume to exempt itself from scrutiny and pressure faced by the rest of the government.¹⁶

Absent a direct, existential threat to the United States comparable to that posed by the Soviet Union during the Cold War, it is difficult to envision anything but a substantial erosion in funding for defense, especially given the U.S. Government's reluctance to tackle its rapidly growing Social Security, Medicare, and Medicaid costs.

EMPLOYING DEFENSE RESOURCES MORE EFFICIENTLY. The effects of declining defense budgets and allied funding for defense in an environment of growing security challenges may be mitigated if the Defense Department can better control its costs. This is easier said than done, however, and savings derived from efficiencies—while welcomed—have historically been far more modest than initially projected.

ENHANCING FORCE EFFECTIVENESS. Improving the efficiency of its efforts implies that the Defense Department will reduce the costs to execute the existing approach to defense preparedness. There may be, however, opportunities to field a far more effective military force for the same cost, such as undertaking significant shifts in

¹⁴ Max Boot, "Cutting Defense Spending Could Hasten America's Decline as a World Power," *Commentary*, August 8, 2011, available at <http://www.commentarymagazine.com/2011/08/04/cutting-defense-spending-america>.

¹⁵ *Idem*.

¹⁶ Secretary of Defense Robert M. Gates, Statement on Department Budget and Efficiencies, The Pentagon, January 06, 2011, available at <http://www.defense.gov/speeches/speech.aspx?speechid=1527>.

defense investments and exploiting advances in military-related technologies to develop new forms of military operations. For example, in the years leading up to World War II the leading navies could invest in expensive ships such as battleships and aircraft carriers. Those who emphasized carriers realized a far greater boost in military effectiveness than those who invested in battleships.

“OUTSOURCING” TO ALLIES AND PARTNERS. In order to manage an increasingly threatening security environment, states in the past have both forged new diplomatic alliances—in effect, to substitute political agreements for military capabilities—and devolved greater responsibility to existing allies and partners to leverage their military capability, particularly with respect to local or regional security.

INCREASING RISK. A state can simply accept a higher level of risk given a growing disparity between ends and means. For example, when Great Britain brought back to home waters many of its most capable warships in the years leading up to World War I, it accepted greater risk to its security interests in other parts of the world, to include the Far East, the Mediterranean Basin and North America. The risk inherent in this approach is that, while such measures may free up resources in the short-term to meet the most urgent security challenge of the day, long-term vulnerabilities may emerge.

DIVESTING COMMITMENTS. An extreme form of risk taking involves divesting oneself of a commitment. This occurred in the 1970s when Great Britain withdrew its military presence from those areas “east of Suez” owing both to growing financial constraints, increasing demands for social services, and a sense that the United States would pick up the slack.¹⁷ Changing circumstances can enable a divestment of commitment, and countries could potentially divest themselves of certain commitments that have outlived their *raison d’être* in order to free up resources to meet more pressing security demands. Executing this approach can be very tricky because of the potential blowback on countries where you maintain some defense responsibility.¹⁸

COST-IMPOSING AND TIME-BASED COMPETITION. There is a tendency in the Defense Department to view investments in capabilities almost exclusively with an eye to how they will enable the armed forces to address the challenges posed

¹⁷ In 1968 Britain announced that beginning in 1971 its forces would be withdrawn from Aden, Malaysia, the Maldives, and Singapore, effectively ending its major military presence from the Middle East to Southeast Asia.

¹⁸ A good example is the impact of dumping our commitment to the KMT at the end of the Chinese Civil War that proved very demoralizing for the South Koreans. Thomas J. Christensen, *Worse Than a Monolith: Alliance Politics and Problems of Coercive Diplomacy in Asia* (Princeton, NJ: Princeton University Press, 2011), p. 54.

by existing and prospective threats across a range of contingencies. Far less emphasis is accorded to how investments might be used to impose costs upon this same set of competitors. This can be achieved by creating situations where rivals are compelled to incur far higher costs than the United States expends to remain competitive in an area of the military competition. Time-based competitions, meanwhile, seek to exploit time as a source of competitive advantage.

NEGOTIATING WITH THE PRINCIPAL RIVAL. It may be possible to reduce defense expenditures by negotiating a reduction in tensions with an adversary. A popular mechanism for attempting to regulate a reduction in the competition is arms control. In the 1970s, the United States pursued a policy of détente with the Soviet Union in order to reduce the cost of the arms race, minimize or provide alternatives to confrontation, and influence Soviet behavior. Unfortunately, arms control has a poor record in achieving a reduction of tensions between states, or in reducing defense spending. Typically it is a change in the relationship between countries that enables a reduction in tensions, of which arms control is a result, not a cause. Moreover, arms control agreements that are not the product of reduced tensions generally find signatories redirecting resources to a different area of the competition.¹⁹ This approach may be less relevant for the United States today, as it confronts not one global peer competitor but a number of rising powers against whom it must balance to preserve its vital interests.

Before presenting the two historical cases, this report first reviews in Chapter 2 the current “age of austerity” by examining the economic and fiscal challenges facing the United States and the consequences of those constraints on U.S. defense budgets. This is followed in Chapters 3 and 4 with an examination of the strategies Britain and the United States pursued to resolve the growing gap between the strategic ends they sought to achieve and the means available to pursue them by adopting various elements of strategy discussed above. This report concludes by identifying how the insights derived from those historical cases might inform similar U.S. efforts today to sustain its global position given substantial existing and projected reductions in defense funding.

¹⁹ The arms control agreements between the United States and the Soviet Union in the 1970s provided the former with a rationale for reducing its expenditures on defense during a period of economic difficulty, while the latter continued to invest heavily on its military. As President Jimmy Carter’s defense secretary Harold Brown observed in the years following the Strategic Arms Limitation (SALT I) Treaty and the Anti-Ballistic Missile (ABM) Treaty, “When we build, they build; when we cut, they build.” Harold Brown, Secretary of Defense, Testimony, January 31, 1979, *Department of Defense Appropriations for Fiscal Year 1980*, Hearings Before a Subcommittee of the Committee on Appropriations, United States Senate, 96th Congress, 1st session, 1979, p. 278. Similarly, the Washington Naval Treaty of 1922 found some signatories cheating on its provisions and some simply shifting focus to other areas of the competition allowed by the treaty, such as the construction of cruisers. Some did both. See Emily O. Goldman, *Sunken Treaties: Naval Arms Control Between Wars* (University Park, PA: Pennsylvania State University Press, 1994), pp. 247-249; and Harlow A. Hyde, *Scraps of Paper: The Disarmament Treaties Between the World Wars* (Lincoln, NE: Media Publishing, 1988), pp. 115-117.

CHAPTER 2 > **BACKGROUND TO THE CURRENT SITUATION**

SIMON CHIN, TODD HARRISON & ANDREW F. KREPINEVICH

Economic Challenges

At a time when the challenges to its security are increasingly uncertain and unpredictable, the United States is struggling to emerge from the greatest peacetime economic downturn since the Great Depression. In January 2012, the Federal Reserve downgraded its forecast for the U.S. economy, projecting a growth rate between 2.2% and 2.7% for 2012, slightly lower than previously expected.²⁰ Fed Chairman Ben Bernanke stated: “We continue to see headwinds emanating from Europe, coming from the slowing global economy and some other factors as well.”²¹ While the U.S. growth rate is expected to accelerate gradually in 2012 and 2013, unemployment is still projected to be stubbornly high (7.4% to 8.1%) at the end of 2013. The Federal Reserve noted that investors remained concerned about the prospect of a lasting solution to Europe’s financial crisis and economic woes, observing that European fiscal austerity programs and the weakness of the European banking sector would likely restrain economic growth in Europe and perhaps in Asia, as well. These headwinds would likely hold back the growth of U.S. exports and continue to dampen the U.S. economy over the coming year.²² This forecast came on the heels of a pessimistic November 2011 report from the Federal Reserve, which warned of “significant downside risks to the economic outlook, including strains in global financial markets.”²³ Indeed, a break-up of

²⁰ Federal Reserve Board, Minutes of the Federal Open Market Committee, January 24-25, 2012, available at <http://www.federalreserve.gov/monetarypolicy/fomcminutes20120125.htm>.

²¹ Federal Reserve Board, Transcript of Chairman Bernanke’s Press Conference, January 25, 2012, available at <http://www.federalreserve.gov/mediacenter/files/FOMCpresconf20120125.pdf>.

²² Federal Reserve Board, Minutes of the Federal Open Market Committee.

²³ Federal Reserve Board Press Release, November 2, 2011, available at <http://www.federalreserve.gov/newsevents/press/monetary/20111102a.htm>.

the Eurozone, which analysts view as a real possibility,²⁴ could have devastating economic consequences for the United States, given the exposure of U.S. banks to European debt and U.S. exporters' reliance on European markets.²⁵

Fiscal Challenges

The United States also confronts a dire fiscal predicament, with the Office of Management and Budget warning that the “medium- and long-term fiscal outlook” is “unsustainable” and “threatening” to “future prosperity.”²⁶ Erskine Bowles, co-chairman of President Obama’s Deficit Commission, has called the national debt a “cancer” that “will destroy the country from within.”²⁷ In fiscal year (FY) 2009, the budget deficit hit a record high of \$1.4 trillion, and remained high at \$1.3 trillion in both FY 2010 and FY 2011.²⁸ These record deficits are primarily due to a sharp reduction in tax revenues due to the recession, tax cuts enacted in 2009 and 2010, and spending on stimulus programs such as the Toxic Asset Relief Program (TARP) in 2008 and the American Recovery and Reinvestment Act (ARRA) in 2009. But even after the stimulus spending ends and the effects of the recession subside, an underlying structural deficit remains that pre-dates the current economic crisis. It is this structural deficit that poses the far greater threat to long-term U.S. economic health—and national security.

How did this structural deficit come into being? In January 2001, the Congressional Budget Office (CBO) released its annual budget and economic outlook, which forecasted a cumulative budget surplus of \$5.6 trillion between FY 2002 and FY 2011. At the same time, the nation’s publicly held debt would be nearly eliminated, falling from \$3.1 trillion to \$818 billion by FY 2011.²⁹ Instead of paying down its debt, however, the nation took a much different fiscal path.

An underlying structural deficit poses a far greater threat to US economic health—and national security.

²⁴ Martin Wolf, “Thinking Through the Unthinkable,” *Financial Times*, November 8, 2011, available at <http://www.ft.com/intl/cms/s/0/1299d48c-0a01-11e1-85ca-00144feabdco.html#axzz1d3tMuqk>; and Felix Salmon, “The Euro Breakup Thrill Ride Begins,” *Reuters*, November 9, 2011, available at <http://blogs.reuters.com/felix-salmon/2011/11/09/the-euro-breakup-thrill-ride-begins/>.

²⁵ See Christine Harper and Charles Mead, “Goldman Sachs Says It Has \$2.3 Billion ‘Funded’ Credit Exposure to Italy,” *Bloomberg*, November 9, 2011, available at <http://www.bloomberg.com/news/2011-11-09/goldman-s-gross-funded-credit-exposure-to-italy-is-2-32-bln.html>.

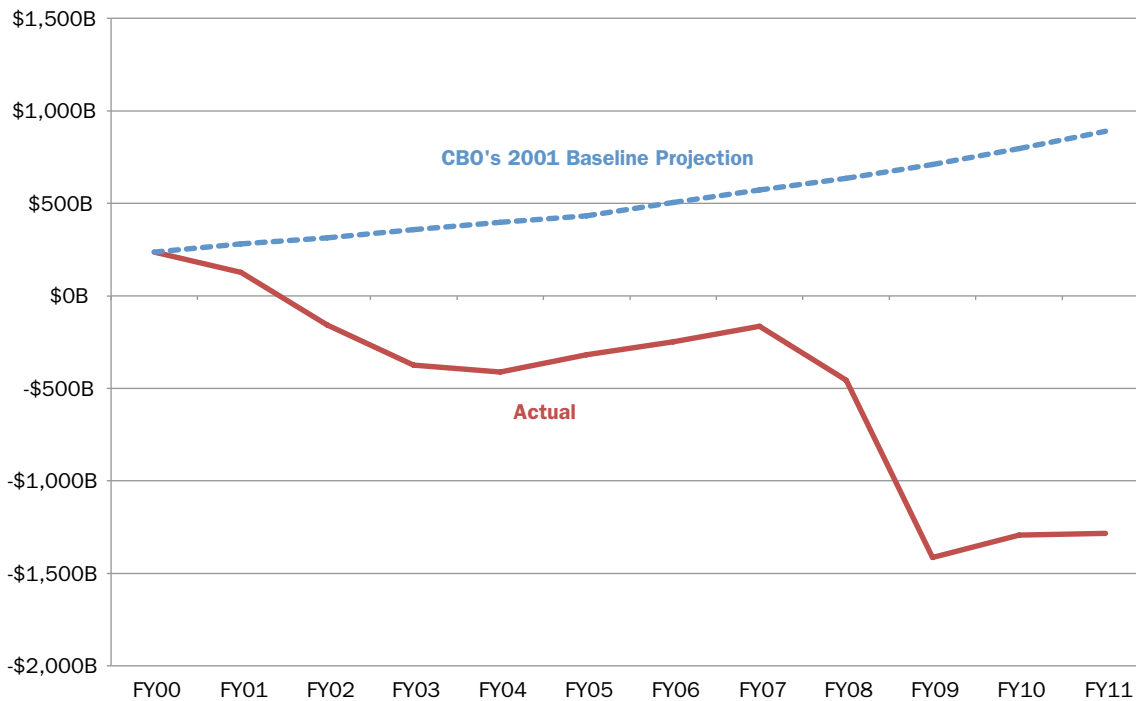
²⁶ Mid-Session Review, Budget of the US Government, Fiscal Year 2011 (Washington, D.C.: Office of Management and Budget, 2011), pp. 1, 4, available at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/11msr.pdf>.

²⁷ Quoted in Dan Balz, “Obama’s Debt Commission Warns of Fiscal ‘Cancer,’” *The Washington Post*, July 12, 2010, available at <http://www.washingtonpost.com/wp-dyn/content/article/2010/07/11/AR2010071101956.html>.

²⁸ “Monthly Budget Review: Fiscal Year 2011,” Congressional Budget Office, October 7, 2011, available at http://www.cbo.gov/ftpdocs/124xx/doc12461/2011_10_07_MBR.pdf.

²⁹ CBO, *The Budget and Economic Outlook: Fiscal Years 2002-2011* (Washington DC: CBO, January 2001), p. 2.

FIGURE 1: SURPLUS TO DEFICIT



From FY 2002 to FY 2011 the nation accumulated \$6.1 trillion in debt instead of a \$5.6 trillion surplus—a change of nearly \$12 trillion.³⁰

The underlying structural deficit the nation faces today has its roots in policy decisions made between FY 2002 and FY 2007. Revenues over this period were \$2.5 trillion below CBO's 2001 projection, driven by the tax cuts of 2001 and 2003. Spending from FY 2002 to FY 2007 was \$1.8 trillion higher than projected due to growth in defense spending (\$751 billion above the CBO baseline), increased interest payments (\$382 billion above baseline), growth in nondefense discretionary spending (\$309 billion above the baseline), and growth in Medicare costs (\$142 billion). The costs of other major entitlement programs, Social Security and Medicaid, ran slightly below the CBO forecast.

As the chart above indicates, the change in fiscal trajectory over the past decade from surpluses to deficits is not the result of “imperial overstretch,” as historian Paul Kennedy suggested in the 1980s. The increase in defense spending over

³⁰ CBO, *The Budget and Economic Outlook: Fiscal Years 2011-2021* (Washington DC: CBO, January 2011), p. 133; and CBO, *The Budget and Economic Outlook: An Update* (Washington DC: CBO, August 2011), p. 4.

the past decade only accounts for 16 percent of the change from the 2001 CBO baseline. Nor is it the result of “entitlements overstretch.” A mere 4 percent of the change is due to Medicare, Medicaid, and Social Security. Rather, the primary driver of the nation’s shift from surpluses to deficits over the past decade has been “revenue understretch”—a dramatic reduction in revenues due to tax cuts and lower economic growth which accounts for 52 percent of the change from the 2001 CBO baseline.

While a loss in tax revenue was the primary driver of the deficit over the past ten years, looking ahead beyond the next decade, the federal government’s entitlement spending, particularly on health care, will place an increasing strain on the federal budget. As the baby boomer generation begins to retire in large numbers, the ratio of workers to retirees will fall from the 3.2 to 3.4 range it has been at for decades to just 2.1 by 2035.³¹ This demographic bulge not only increases the cost of programs for the elderly, like Social Security and Medicare, but also narrows the tax base of workers to pay for these programs. The cost of healthcare programs, specifically Medicare and Medicaid, is expected to grow even faster because the per capita cost of healthcare is increasing—a problem not just for the federal government but the private sector as well.

Defense Spending in a Constrained Budget Environment

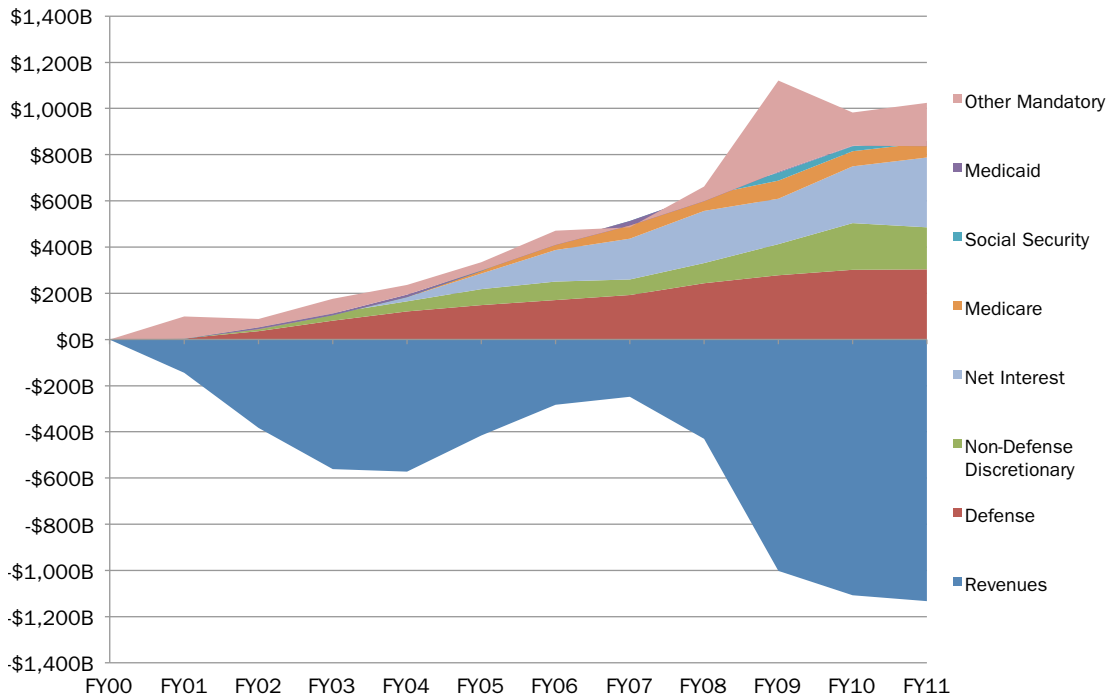
Both the dramatic shift in the nation’s fiscal situation witnessed over the past decade and the structural budget issues looming in the future have important national security ramifications. In the near term, the renewed emphasis on fiscal austerity will mean fewer resources are available for defense. Initial efforts at deficit reduction have focused almost exclusively on cutting discretionary spending, of which defense is more than half. Moreover, the debt load accumulated over the past decade will be an ongoing drain on the federal budget. According to OMB projections, by FY 2020, for the first time in modern history, the United States will be spending more to cover the interest on its debt—roughly \$782 billion—than for national defense.³² Put another way, were the United States to disarm itself completely, the savings would not be enough to cover even the interest on the national debt, let alone reduce the principal or balance the budget.

Both the ability to fund defense adequately in peacetime and to increase spending rapidly in times of crisis are vital to national security. Every major war the nation has fought, including the recent conflicts in Iraq and Afghanistan, has been deficit financed. The United States’ ability to finance war on a massive scale

³¹ Board of Trustees Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *The 2011 Annual Report Of The Board Of Trustees Of The Federal Old-Age And Survivors Insurance And Federal Disability Insurance Trust Funds* (Washington DC: GPO, 2011) p. 10.

³² OMB, *Budget of the United States, Fiscal Year 2011, Summary Tables* (Washington, D.C.: GPO, February 2010), available at <http://www.whitehouse.gov/omb/budget/fy2011/assets/tables.pdf>.

FIGURE 2: ORIGINS OF THE BUDGET DEFICIT



through borrowing, as well as its ability to deter wars from occurring in the first place, are U.S. strategic advantages that the current fiscal crisis puts at risk. According to the CBO, an alternate fiscal situation in which the Bush-era tax cuts become permanent, and efforts to reduce the growing costs of health care fail, would see public debt reach 101 percent of GDP by 2021 and 187 percent of GDP by 2035.³³ Such a trajectory is unsustainable and would eventually jeopardize the nation’s ability to borrow, even in a national emergency.

Given the fiscal and political realities, U.S. defense spending is almost certain to decline, perhaps dramatically, in the coming years. As former Secretary of Defense Robert Gates observed, “[t]he spigot of defense spending opened by 9/11 is closing.”³⁴ From FY 2001 to FY 2011, the annual DoD budget grew by 76 percent to its highest level since the end of World War II.³⁵

Given the fiscal and political realities, U.S. defense spending is almost certain to decline, perhaps dramatically, in the coming years.

³³ CBO, *CBO’s 2011 Long-Term Budget Outlook* (Washington DC: CBO, June 2011), pp. 7-9.

³⁴ Quoted in Thom Shankar, “After Stimulus Package, Pentagon Officials are Preparing to Pare Back,” *New York Times*, February 17, 2009, available at <http://www.nytimes.com/2009/02/18/us/politics/18defense.html>.

³⁵ This increase is measured in real (or inflation adjusted) dollars. Of course, the United States is far wealthier than at the end of World War II. Thus while defense spending absorbed 42 percent of the country’s GDP in 1945, it current consumes less than 5 percent of GDP. “U.S. Government Spending History from 1900,” available at http://www.usgovernmentspending.com/past_spending.

Overall, nearly half of the growth in defense spending since FY 2001 was in the base defense budget. But in many respects this was a period of hollow growth: personnel costs grew while end strength remained relatively flat, the cost of peacetime operations grew while the pace of peacetime operations declined, and acquisition costs increased while the inventory of equipment grew smaller and older. Such growth calls into question the effectiveness and efficiency with which DoD employs its resources. But becoming more efficient and rolling back the growth in the base defense budget over the past decade is not easily done, and efficiencies alone will not fill the budget shortfall. The Department is currently on a budget trajectory where compensation and benefits are growing faster than the overall budget. Moreover, the lagging pace of acquisitions in key areas over the past two decades—while not due to inadequate funding—has created a backlog of recapitalization needs for major weapons systems. Altering the trajectory of the budget to simply curb the projected growth in these areas will itself be a challenge.

Security Challenges

While the United States confronts the prospect of substantially diminished resources for defense over the next decade, the security challenges it may confront could grow substantially. There are several reasons for this. As the United States is an insular power with global interests, the U.S. military must project power in order to protect those interests. Since World War II, the United States has developed a distinct style of projecting and sustaining large forces overseas. It relies heavily on building up forces at forward bases and employing sea power to protect the sea lines of communication to the United States and to influence operations ashore. In recent years, a number of states have studied the American way of warfare and are developing anti-access/area-denial (A2/AD) capabilities to undermine the U.S. method of power projection.³⁶ At its core, the A2/AD threat is to U.S. forward bases, but it also involves challenging assured access to littoral regions and maritime chokepoints as well as to space and cyberspace during wartime.

Yet should the threat to U.S. national interests increase, the resources needed to address these threats are very likely to decline. Moreover, the United States did little to address these growing challenges during the recent defense buildup, where emphasis was given primarily to fielding and sustaining forces to combat modern irregular warfare threats in Afghanistan and Iraq.

³⁶ “Anti-access” threats are defined as those associated with preventing U.S. forces from deploying to forward bases in a theater of operations, while “area-denial” threats aim to prevent the U.S. military’s freedom of action in an area of operations. See Andrew F. Krepinevich, *Why AirSea Battle?* (Washington, DC: Center for Strategic and Budgetary Assessments, 2010), pp. 8-11.

Thus, although American post-Cold War conventional military operations have often been successful, in many ways the United States has been fortunate in its adversaries, most of whom have been unwilling or unable to mount a serious challenge to U.S. military forces. This situation is rapidly changing. For example, China is currently developing a multi-dimensional A2/AD network along its eastern air and maritime approaches, one that is likely to include a variety of counter-air, counter-space, and counter-network capabilities, as well as extended-range, conventional precision strike weapons and the command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) systems necessary for accurate, over-the-horizon targeting at ever-greater ranges.³⁷ These capabilities could be employed to exploit a number of potential American weaknesses, including the U.S. military's dependence on large and easily targeted forward bases, need to flow significant forces into a distant theater over an extended period of time before undertaking major combat operations, and extensive use of vulnerable space-based assets and battle networks.

At the same time, China's military modernization could be merely the first instance of a much broader trend, namely "the proliferation of precision," even to traditionally "low-end" threats such as minor powers and non-state actors. For instance, Iran not only appears to be pursuing a nuclear weapons capability but also is developing a variety of conventional anti-access systems: fast-attack craft armed with anti-ship cruise missiles that can "swarm" larger warships, land-based anti-ship cruise missile batteries for coastal defense, and surface-to-surface ballistic missiles. Alternatively, during the July 2006 Lebanon War, Hezbollah not only used unguided surface-to-surface rockets, improvised explosive devices, and rocket-propelled grenades, but also employed a number of guided weapons against Israeli forces, such as anti-tank missiles and, in one instance, anti-ship cruise missiles. The bottom line is that over the coming decades, the United States may confront a new security environment in which it no longer enjoys a

³⁷ In 2009 Defense Secretary Robert Gates observed:

When considering the military-modernization programs of countries like China, we should be concerned less with their potential ability to challenge the U.S. symmetrically—fighter to fighter or ship to ship—and more with their ability to disrupt our freedom of movement and narrow our strategic options. Their investments in cyber and anti-satellite warfare, anti-air and anti-ship weaponry, and ballistic missiles could threaten America's primary way to project power and help allies in the Pacific—in particular our forward air bases and carrier strike groups. This would degrade the effectiveness of short-range fighters and put more of a premium on being able to strike from over the horizon—whatever form that capability might take.

Secretary of Defense Robert M. Gates, Speech to the Air Force Association Convention, National Harbor, MD, Wednesday, September 16, 2009, available at <http://www.defenselink.mil/speeches/speech.aspx?speechid=1379>, accessed on November 2, 2009. See Andrew F. Krepinevich, *Why Air/Sea Battle?*, pp. 13-25.

near-monopoly on precision-strike capabilities that has been the foundation of its success in conventional operations since the first Gulf War in 1991.

There is also an issue of Russian behavior in Europe where Vladimir Putin's threats to increase defense spending dramatically, while probably unsustainable, are nevertheless a source of concern. Russia's retention of some 2,000 tactical nuclear weapons outside the limitations of the New START Treaty and its efforts to block a range of U.S. diplomatic initiatives raise concerns that the Obama administration's efforts to "reset" relations with Moscow on a more positive note have yet to achieve the desired effect.³⁸

The United States will have to confront these emerging security challenges while facing the continuing decline in the military capabilities of its European allies. The 1999 Balkan War revealed the stark disparity between American and European military capabilities, a gap that has only grown over time.³⁹ While the U.S. defense budget grew by more than two-thirds in real terms between 2001 and 2009, European defense spending during that period fell by almost 2 percent annually.⁴⁰ Britain, Germany, and Spain have all recently announced significant cuts in defense. This trend is unlikely to change. Europe's economic and sovereign debt crises are forcing cutbacks in social welfare spending, and demographic trends and shifting cultural attitudes strongly suggest that European states will be increasingly concerned with domestic economic priorities and internal security. This will almost certainly result in further cuts to the European states' historically modest defense budgets.

To a significant extent, the United States has been an "enabler" of the Europeans' progressive shedding of their alliance responsibilities. Former Secretary of Defense Robert Gates summed it up well in observing, "My worry is that the more our allies cut their capabilities, the more people will look to the United States to cover whatever gaps are created."⁴¹ In his final policy address in

³⁸ The New START Treaty limits the number of strategic nuclear weapons to 1,550 for each country. The treaty does not, however, address tactical nuclear weapons, which are essentially nuclear weapons deployed on relatively short range delivery systems (e.g., short range missiles). The United States is estimated to have roughly 400 operationally deployed tactical nuclear weapons; the Russians about 2,000. Micah Zenco, "Controlling Tactical Nuclear Weapons," *Council on Foreign Relations*, November 11, 20102, available at <http://www.cfr.org/weapons-of-mass-destruction/controlling-tactical-nuclear-weapons/p23374>, accessed on March 18, 2012.

³⁹ Evan Braden Montgomery, *Reshaping America's Alliances for the Long Haul* (Washington, D.C.: The Center for Strategic and Budgetary Assessments), p. 13. Most recently the relatively modest NATO air campaign in Libya found the United States' European allies running out of precision-guided munitions. Ivo H. Daalder, "Excerpts From Remarks Delivered at the Roosevelt Study Center," The Netherlands, available at September 19, 2011, accessed at <http://nato.usmission.gov/rsc-2011.html>, accessed on March 12, 2012.

⁴⁰ Guy Ben-Ari and David Berteau, *European Defense Trends: Budgets, Regulatory Frameworks, and the Industrial Base* (Washington, D.C.: Center for Strategic and International Studies), p. 1.

⁴¹ Quoted in James Blitz and Daniel Dombey, "Uncertain Destination," *The Financial Times*, November 17, 2010, p. 9, available at <http://www.ft.com/cms/s/0/58d456ac-f1b6-11df-bb5a-00144feab49a.html#axzz1nzVE6QY6>.

June 2011, Gates criticized allies who are “willing and eager for American taxpayers to assume the growing security burden left by reductions in European defense budgets” and warned that NATO faces a “dim, if not dismal future.”⁴²

Developing the means to achieve long-standing U.S. strategic objectives—including preventing the emergence of hostile powers, preserving access to key regions and domains to maintain stability, and defending global trade and commerce—while undertaking significant cuts in defense spending in the face of an increasingly threatening security environment, will challenge even the Pentagon’s best and brightest minds to devise a strategy to limit the risk to national security.

History can be instructive in managing such a shift in strategy. The United States is certainly not the first great power to experience a period of prolonged economic and fiscal decline while confronting a set of difficult strategic choices. With that in mind, we now turn to a set of historical case studies assessing two countries that also faced a growing gap between the strategic ends they sought to achieve as the leading power in the international system and the means available to pursue them.

Developing the means to achieve long-standing U.S. strategic objectives—while undertaking significant cuts in defense—will challenge even the Pentagon’s best and brightest minds

⁴² Quoted in Robert Burns, “Gates Blasts NATO, Questions Future of Alliance,” *Associated Press*, June 10, 2011, available at <http://www.guardian.co.uk/world/feedarticle/9689362>.

CHAPTER 3 > THE UNITED STATES, 1969-1980

SIMON CHIN

This chapter will assess the competitive strategies employed by the Nixon, Ford, and Carter administrations, with particular attention to the question of how U.S. statesmen and policymakers sought to bring the country's global security commitments in line with its increasingly constrained resources. It will take as its starting point the intellectual foundation for the Nixon-Kissinger strategies: the administration's assessment of the international system in 1969. At the start of its first term, the Nixon administration identified a number of global trends reshaping the world order: the relative economic decline of the United States, the rise of Soviet power and the loss of U.S. nuclear superiority, the post-war economic recovery of Western Europe and Japan, the increasing independence of U.S. allies from Washington, and the Sino-Soviet split and the Chinese acquisition of thermonuclear weapons. In his first annual report to Congress on foreign policy, President Nixon even went so far as to declare: "the postwar period in international relations has ended."⁴³ Looking back at the Cold War today, most observers would not see the postwar international system ending in 1969 but rather continuing through the late 1980s. Yet Nixon's rhetoric is important in that it reflects a tendency among U.S. policymakers during this period to overestimate both the strengths of competitors and negative trends in the international system as well as to underestimate the enduring strengths of the United States. It is this tendency that stimulated policymakers to craft strategies to maintain the United

⁴³ U.S. Department of State, *Foreign Relations of the United States, 1969-1976*. Vol. I: Foundations of Foreign Policy, 1969-1972 (Washington, DC: GPO, 2003), p. 196. Henceforth referred to as *FRUS* for the purpose of this report.

These strategies constituted a “holding action” for the United States when there was limited support for either retrenchment or a costly military buildup

States’ pre-eminent position in the international system in spite of its perceived deteriorating situation.⁴⁴

Although the overall Cold War strategy—containment of the Soviet Union—remained in place, U.S. administrations throughout the 1970s sought to better align the country’s reduced means with its desired ends. Toward this aim, emphasis was given to cultivating new allies and partners (particularly China), accepting greater risk in security relationships and force planning, terminating the commitment to South Vietnam, engaging the Soviet Union in arms control negotiations, and relying on technological innovation to offset the Soviet Union’s numerical superiority. Not every initiative or diplomatic maneuver met with success or had a lasting impact on the course of the Cold War. Yet taken together, these strategies constituted what historian John Harper has called a “holding action” that navigated the United States through a decade in which there was limited domestic support for either a genuine retrenchment (perhaps best expressed in presidential candidate George McGovern’s call of “Come home, America”) or a costly military buildup on the scale later pursued by the Reagan administration in the 1980s.⁴⁵ It is this idea of a grand strategic holding action to preserve the United States’ pre-eminent position in the world that may prove a source of guidance for contemporary U.S. policymakers.⁴⁶

The World in 1969: “A New Era of International Relations”

In asserting that “the postwar period in international relations has ended,” President Nixon called for “a new approach to foreign policy to match a new era of international relations.” Nixon’s assessment was sober but also somewhat optimistic, highlighting both challenges and opportunities for the United States. In defining the key contours of the new international system, the president noted the economic recovery and “growing strength of independence” of Western Europe and Japan; the emergence of the Sino-Soviet split; a military balance of power in which “there can be no gain and certainly no victory” in a thermonuclear exchange; and a perceived mutual interest by the United States and the Soviet Union in halting the arms race; and the potential for building a “durable peace.”⁴⁷

Inside the White House, however, the view of events was more pessimistic. Nixon’s national security advisor, Henry Kissinger, later observed, “We were in

⁴⁴ Aaron Friedberg, *The Weary Titan* (Princeton, NJ: Princeton University Press, 2010), pp. 305-306.

⁴⁵ John Lamberton Harper, *The Cold War* (Oxford; New York: Oxford University Press, 2011), pp. 187-88.

⁴⁶ There are some who argue that Kissinger in particular believed he was less managing a holding action to preserve U.S. primacy than he was America’s decline. See, for example, Josef Joffe, “The Default Power,” *Foreign Affairs*, September/October 2009.

⁴⁷ *FRUS*, 1969-1976. Vol. I, pp. 196-198.

a period of painful adjustment to a profound transformation of global politics.”⁴⁸ Historian Jussi Hanhimäki put it more bluntly: “In January 1969 American foreign policy was in serious trouble.”⁴⁹ Both the economic growth and integration of Europe and the emergence of Japan as an economic power appeared to challenge U.S. pre-eminence. By the end of 1969, the United States would be in recession for the first time in ten years, and by 1970, the nation would run its first trade deficit since 1895.⁵⁰ The “growing strength of independence” of Western Europe and Japan also meant a challenge to America’s predominance in its alliance relationships. France had completed its withdrawal from NATO’s integrated military command in 1966, and West German chancellor Willy Brandt’s initiation of *Ostpolitik* with Moscow in 1969 further threatened the unity and U.S. leadership of the NATO alliance. The Soviets, meanwhile, were approaching nuclear parity with the United States and appeared emboldened by the muted Western response to the Soviet invasion of Czechoslovakia in August 1968. The West had seemingly accepted the Brezhnev Doctrine, which asserted the Soviet Union’s right to intervene with force in Eastern Europe, and Soviet influence was seen rising beyond Europe, particularly in its support for regimes in Egypt and Syria.⁵¹ Rising Sino-Soviet tensions, including border clashes between Soviet and Chinese troops in early 1969, threatened the stability of Asia.⁵² But above all loomed the challenge of the United States’ protracted and costly involvement in the Vietnam War, which Nixon sought to terminate while preserving U.S. credibility.

In surveying the national experience of the late 1960s, Kissinger recalls in his memoirs “a period of self-doubt and self-hatred” in which the United States struggled to come to grips with the sense of its own limitations. According to Kissinger, the United States had reached the end of twenty years of extraordinary accomplishment in international affairs: the construction of an alliance system that preserved peace and underpinned the economic growth of North America, Western Europe, and Japan; the creation of international economic institutions that fostered an era of renewed globalization; and the promotion of decolonization and development aid for fledgling nations. Yet by 1969, the war in Vietnam—with 31,000 American dead and no end in sight—had deeply divided the nation, and “the consensus that had sustained our postwar foreign policy had evaporated.”⁵³ As Kissinger writes, “the men and women who had sustained our

⁴⁸ Henry Kissinger, *White House Years* (Boston: Little, Brown, 1979), p. 57.

⁴⁹ Jussi Hanhimäki, *The Flawed Architect: Henry Kissinger and American Foreign Policy* (Oxford; New York: Oxford University Press, 2004), p. 28.

⁵⁰ Herring, *From Colony to Superpower: U.S. Foreign Relations Since 1776* (Oxford; New York: Oxford University Press, 2008), pp. 761-762, 781-782.

⁵¹ Hanhimäki, *The Flawed Architect*, p. 28.

⁵² Herring, *From Colony to Superpower*, p. 761.

⁵³ Kissinger, *White House Years*, pp. 55-57.

international commitments and achievements were demoralized by what they considered their failure in Vietnam,” and a new wave of isolationism crept into the national discourse.⁵⁴

While Vietnam may have been a trigger for the turmoil of the 1960s, Kissinger argues that “the deepest cause of our national unease was the realization ... that we were becoming like other nations in the need to recognize that our power, while vast, had limits.”⁵⁵ In the 1950s and 1960s, the United States did not recognize the need to husband its resources in seeking its national security objectives, attempting what Kissinger calls “ultimate solutions to specific problems.”⁵⁶ That is, the United States considered each successive crisis—Berlin, Korea, Berlin again, Cuba—as a problem with a “terminal point” to which it could devote its overwhelming resources over a defined period of time and then withdraw after achieving a final result or conclusive settlement. Yet, as Kissinger observes:

We never fully understood that while our absolute power was growing, our *relative* position was bound to decline as the USSR recovered from World War II. Our military and diplomatic position was never more favorable than at the *very beginning* of the containment policy in the late 1940s.⁵⁷

Given that relative decline in power, the United States could no longer afford to overwhelm every successive problem with its resources but instead “had to set priorities, both intellectual and material.”⁵⁸ As Nixon himself later put it, the United States could no longer merely “cop[e] with a cycle of recurrent crises” but instead had to “take a longer view.”⁵⁹

Given the trends outlined above, President John Kennedy’s inaugural vow to “pay any price, bear any burden” to “assure the survival and the success of liberty” simply could not be sustained.⁶⁰ The task for the administration, as Kissinger observed, was formidable: “Simultaneously we had to end a war, manage a global rivalry with the Soviet Union in the shadow of nuclear weapons, reinvigorate our alliance with the industrial democracies, and integrate the new nations into a new world equilibrium that would last only if it was compatible with the aspirations of all nations.”⁶¹ He could have added that all this would need to be accom-

⁵⁴ Ibid., p. 56.

⁵⁵ Ibid., p. 57.

⁵⁶ Ibid., p. 58.

⁵⁷ Ibid., p. 62.

⁵⁸ Ibid., p. 57.

⁵⁹ *FRUS, 1969-1976. Vol. I*, p. 197.

⁶⁰ John F. Kennedy, “Inaugural Address,” Washington, D.C., January 20, 1961, available at <http://www.jfklibrary.org/Research/Ready-Reference/JFK-Miscellaneous-Information/Inaugural-Address.aspx>.

⁶¹ Kissinger, *White House Years*, p. 69.

plished with relatively fewer resources and an American public whose appetite for an active U.S. policy of engagement overseas had radically diminished.

Despite this pessimistic assessment, in 1969 the United States “was still the most powerful nation on earth. Its military might was still unsurpassed, its economic power unequalled, and its human potential enormous.”⁶² For Nixon and Kissinger, the task was to develop a strategy that would produce “a new global equilibrium that would reflect the changing nature of power without jeopardizing the United States’ preponderant influence in international affairs.”⁶³ John Harper compares the Nixon administration’s strategy to a “holding action,” citing a line from the novel *The Leopard*: “‘Everything must change so that nothing changes.’ Nixon and Kissinger aimed to create a ‘new structure of global relationships’ to preserve existing power.” Harper argues that under the existing circumstances this “holding action” was probably the only viable strategy.⁶⁴

If anything, Nixon and Kissinger overestimated the strength of the Soviet Union and other rising powers while underestimating the enduring advantages of the United States. In retrospect, Nixon’s talk of a pentagonal world with the five competing power centers—the United States, Europe, Soviet Union, China, and Japan—balancing each other in “an even balance” overstated the multipolarity of the international system, which remained predominantly bipolar.⁶⁵ For all their increased economic might and diplomatic clout, Western Europe and Japan still remained militarily dependent upon the United States, and China would not emerge as a major economic power for another three decades. The administration’s assessment also overestimated the enduring economic strength of the Soviet Union, which turned out to be a declining power, though few could have foreseen its sudden collapse twenty years later. Yet, this conception of a more pluralistic world, combined with a determination to maintain the U.S. global position, provided the impetus for the creative diplomacy and the bold and innovative strategies of the 1970s. While initiated by the Nixon administration, many of these efforts continued or evolved during the Ford and Carter administrations. As political scientist Aaron Friedberg has argued, the bias among U.S. policymakers during the latter stages of the Cold War toward overestimating the strength of rivals and underestimating those of the United States helped spur greater efforts to sustain U.S. pre-eminence.⁶⁶ It is to these greater efforts that we now turn.

This conception of a more pluralistic world provided the impetus for the creative diplomacy and the bold and innovative strategies of the 1970s.

⁶² Ibid., p. 30.

⁶³ Hanhimäki, *The Flawed Architect*, p. 30.

⁶⁴ Harper, *The Cold War*, pp. 167, 187-188. See also Robert S. Litwak, *Détente and the Nixon Doctrine: American Foreign Policy and the Pursuit of Stability, 1969-1976* (Cambridge, UK: Cambridge University Press, 1984).

⁶⁵ For Nixon’s remarks on a pentagonal world, see “An Interview with the President: ‘The Jury is Out,’ *Time*, 99, No. 1, January 1, 1972, p. 15.

⁶⁶ Friedberg, *The Weary Titan*, pp. 305-306.

Détente and Triangular Diplomacy: Diplomacy to Realign Means and Ends

The Nixon administration's policies of détente with the Soviet Union and the opening to China arose out of its views regarding the changing strategic environment and the relative decline of U.S. power. Based on the understanding that the United States would have to manage a prolonged competition with the Soviet Union during a period of nuclear parity, relatively fewer resources, and growing multipolarity, Nixon and Kissinger's policies sought to stabilize and limit the military competition with the Soviet Union while exploiting the Sino-Soviet rivalry to U.S. advantage. While maintaining the same overall strategy of containment of the Soviet Union, the Nixon administration sought to better align means and ends, prioritize the tasks U.S. policy would undertake, and identify novel diplomatic solutions to longstanding problems, such as how to end the war in Vietnam. As a result of détente and "triangular diplomacy," the United States was arguably able to limit the military competition with the Soviet Union given the absence of popular support among Americans for sustaining high levels of defense spending, and rebalance the strategic equation among the United States, the Soviet Union, and China.⁶⁷ It must also be acknowledged, however, that these diplomatic efforts failed to achieve the Nixon administration's goal of bringing Soviet and Chinese pressure to bear on North Vietnam, and that détente with Moscow would not survive the end of the decade. Triangular diplomacy did, nevertheless, give Nixon the confidence to escalate the war in 1972 by ordering Operation *Linebacker II* in order to seek "peace with honor"—a way to cut U.S. losses in Vietnam, while minimizing the loss of credibility, as well as divert significant Soviet attention (and resources) away from the United States and its allies and toward China.

The landmark arms control agreements of 1972—the Strategic Arms Limitations Talks Agreement (SALT I) and the Anti-Ballistic Missile (ABM) Treaty—were both the foundation and the high-water mark of the period of détente between the two superpowers. Upon taking office in 1969, Nixon announced that U.S. policy would be to possess "sufficiency" not "superiority" in nuclear weapons.⁶⁸ Yet Nixon and Kissinger both feared that the Soviet Union, having reached nuclear parity, would itself aim for superiority at a time when the United States was unwilling to compete in a costly and ultimately futile arms race. As historian George Herring has observed, the development of early ABM technol-

⁶⁷ Robert D. Schulzinger, "Détente in the Nixon-Ford Years, 1969-1976," in Melvin P. Leffler and Odd Arne Westad, eds., *The Cambridge History of the Cold War. Volume II: Crisis and Détente* (Cambridge; New York: Cambridge University Press, 2010), p. 376; Herring, *From Colony to Superpower*, p. 771; and Richard K. Betts, *U.S. National Security Strategy: Lenses and Landmarks* (Princeton, NJ: Princeton University, Woodrow Wilson School of Public and International Affairs, 2005), pp. 17-18.

⁶⁸ Schulzinger, "Détente in the Nixon-Ford Years," p. 379.

ogy and of multiple independently targeted reentry vehicles (MIRVs) “threatened to undermine MAD [mutually assured destruction] and set off an even more expensive and potentially more destructive phase of the competition.”⁶⁹ As it turned out, Soviet General Secretary Leonid Brezhnev had made a similar calculation, asking in a 1972 Defense Council meeting,

If we make no concessions, the nuclear arms race will go further. Can you give me ... a firm guarantee that in such a situation we will get superiority over the United States and the correlation of forces will become more advantageous to us?... Why should we continue to exhaust our economy, increase military expenses?⁷⁰

Nixon and Kissinger understood that détente and the 1972 arms control agreements did not mark an end to the Cold War but rather a shift in the competition. Both sides, as historian Vladislav Zubok has observed, still “wanted to obtain, wherever possible, a unilateral advantage over the other” and continued the global geopolitical competition for influence.⁷¹ Détente was a competition limited by these agreements—a competition that Nixon and Kissinger believed better suited the reduced means of the United States in the 1970s.

While détente proved short-lived, it did provide the United States with time in which it could employ the other elements of its strategy to improve its competitive position. The United States’ rapprochement with China, for example, had a far more significant and lasting impact on the Cold War. It represented a fundamental change in U.S. grand strategy. Formalized by the Shanghai Communiqué in 1972, Nixon’s opening to China rebalanced the strategic equation among the United States, the Soviet Union, and China, providing the United States with a new major asset to support its objective of containing Soviet power in Asia.⁷² In their negotiations, Nixon and China’s foreign minister Zhou En-lai agreed that their nations would not seek hegemony in Asia and would also oppose any third country’s (i.e., the Soviet Union’s) attempts to achieve regional dominance.⁷³ Not only did the rapprochement with Beijing reduce the threat of Sino-American conflict and provide the Soviets with an immediate and substantial incentive to negotiate with Nixon, but it also had a far-reaching strategic impact on the superpower competition. Overnight, as Richard Betts writes, “it was no longer Washington that had to plan for a two-front war, but Moscow.”⁷⁴ Sino-Soviet tensions had already begun to break out into armed conflict in 1969 with border

Nixon’s opening to China represented a fundamental change in U.S. grand strategy and rebalanced the strategic equation in Asia.

⁶⁹ Herring, *From Colony to Superpower*, p. 772.

⁷⁰ Vladislav M. Zubok, *A Failed Empire: The Soviet Union in the Cold War from Stalin to Gorbachev* (Chapel Hill, NC: University of North Carolina Press, 2007), p. 220.

⁷¹ *Ibid.*, p. 230.

⁷² Betts, *U.S. National Security Strategy*, p. 17.

⁷³ Herring, *From Colony to Superpower*, p. 792.

⁷⁴ Betts, *U.S. National Security Strategy*, p. 17.

clashes along the Ussuri River. Not long after Nixon's opening to China fully one-fourth of Soviet army divisions were deployed along the Sino-Soviet border. The Sino-American entente also enabled Washington to rationalize "the change in notional requirements for American conventional forces that budget pressures made necessary anyway," or a shift from the Kennedy administration's costly "2½-war" standard (simultaneous conflicts against the Soviet Union, China, and a smaller regional power) to the "1½-war" standard of the 1970s.⁷⁵ The opening to China must be counted as a bold and imaginative diplomatic maneuver that yielded major strategic dividends for the United States.⁷⁶

The limitations of the administration's "triangular diplomacy" must, however, also be acknowledged. While the United States was able to escalate the war in Vietnam in a way it might not have risked prior to the opening to China and the arms control agreements with the Soviets, the Nixon administration did not secure direct pressure from either Moscow or Beijing vis-à-vis the North Vietnamese government. One of the original objectives of triangular diplomacy was to gain Soviet and Chinese pressure on Hanoi to negotiate an end to the war on terms favorable to the United States.⁷⁷ In its initial negotiations with the Soviets, the Nixon administration, under the policy of "linkage," sought to tie all arms control issues to U.S. demands that Moscow pressure the North Vietnamese government on the war—a linkage that the Soviets rejected. In his 1971 talks with Kissinger and his 1972 meeting with Nixon, Chinese Premier Zhou also deflected U.S. demands for assistance with Vietnam. In the end, Nixon and Kissinger overestimated the leverage the Soviets held with the North Vietnamese and proved unable to extract any meaningful concessions on the issue from China, despite providing significant pledges, assurances, and concessions regarding Taiwan.⁷⁸

Taken broadly, however, the Nixon-Kissinger diplomatic policies, particularly the arms control treaties and the strategic shift marked by the entente with China, arguably succeeded in slowing the pace of the U.S.-Soviet military competition for which the American public had lost its appetite, and secured a new partnership with China that fundamentally transformed the Cold War balance of power.

⁷⁵ Ibid., pp. 17-18.

⁷⁶ The U.S. opening to China was, of course, also facilitated by that country's continued estrangement from the Soviet Union.

⁷⁷ Schulzinger, "Détente in the Nixon-Ford Years," p. 378.

⁷⁸ Herring, *From Colony to Superpower*, pp. 778, 792; Schulzinger, "Détente in the Nixon-Ford Years," pp. 377-378; and Zubok, *A Failed Empire*, p. 217. On Taiwan, Herring recounts that the United States conceded far more than Nixon and Kissinger let on in their memoirs. See Herring, *From Colony to Superpower*, p. 778.

Nixon Doctrine: Eliminating Commitments, Outsourcing to Allies, Accepting Higher Risk

The “Guam Doctrine,” later dubbed the “Nixon Doctrine,” marked a clear rhetorical departure from Kennedy’s inaugural vow to “pay any price, bear any burden” to “assure the survival and the success of liberty.” The Nixon Doctrine, as former ambassador Eric Edelman has characterized it,

sought to walk a fine line. It sought to balance existing U.S. treaty commitments and limited economic and military support to allies in Asia against communist expansionism with an expectation that allies would play the major role in their own defense.⁷⁹

As Nixon put it, “America cannot—and will not—conceive *all* the plans, design *all* the programs, execute *all* the decisions, and undertake *all* the defense of the free nations.”⁸⁰ Instead, while still providing military and economic assistance, the United States would look to allies to take primary responsibility for their own defense, particularly regarding manpower. The United States, through large-scale military aid, would also look to build up regional powers to act as “policemen” in areas such as the Persian Gulf.⁸¹ In this way, the United States would be playing to its competitive advantages: quality manpower, rather than quantity, and the ability to produce a wide range of quality military equipment to outfit local forces.

As articulated by the administration, the Nixon Doctrine sought to provide a diplomatic framework under which the United States could limit overseas liabilities and outsource significant security responsibilities to allies, particularly for costly manpower requirements. While the United States would maintain continuity in overall political objectives, it would accept the higher risk that comes with greater reliance on less capable—and potentially recalcitrant, reluctant, unreliable, or unstable—security partners. The Nixon Doctrine was an attempt, then, to craft a strategy to bring commitments in line with resources and establish priorities for U.S. policy, and to do so in a way that played to U.S. advantages in the quality of its manpower and its ability to outfit key partners with equipment generally superior to that provided by the Soviets. In practice, however, the Nixon Doctrine was inconsistently or not fully applied and delivered mixed results in achieving its stated objectives, as illustrated in the brief reviews that

In practice, the Nixon Doctrine was inconsistently or not fully applied and delivered mixed results in achieving its stated objectives.

⁷⁹ Eric Edelman, *A Grand Strategy for an Era of Contested American Primacy* (Washington, DC: Center for Strategic and Budgetary Assessments, 2011), p. 37.

⁸⁰ *FRUS, 1969-1976, Vol. I*, p. 199. Emphasis in the original.

⁸¹ Herring, *From Colony to Superpower*, p. 785; and Melvin R. Laird, “A Strong Start in a Difficult Decade: Defense Policy in the Nixon-Ford Years,” *International Security*, 10, No. 2, Fall 1985, p. 7.

follow of four cases where the Nixon Doctrine was applied: South Vietnam, South Korea, Iran, and Australia.⁸²

The policy of Vietnamization, as Melvin Laird, Nixon's Defense Secretary, recounts, constituted the administration's first major initiative under the Nixon Doctrine.⁸³ As the United States withdrew its ground forces from Vietnam, it planned to continue air and logistic support while stepping up military assistance to augment South Vietnam's indigenous combat capabilities. The Nixon administration did not simply want to liquidate U.S. involvement in Vietnam, but rather sought to attain its existing political objectives through reduced means. As historian Jeffrey Kimball argues, the

goal was to win the war, that is, to win a negotiated settlement that would keep Thieu in power in Saigon. That is what honor meant to [Nixon and Kissinger].⁸⁴

Yet, despite the vast amounts of economic aid, weapons, and training assistance that the United States poured into South Vietnam, the South Vietnamese army still relied heavily on U.S. air and logistic support.⁸⁵ Arguably, it was the U.S. Congress that prevented the United States from keeping its part of the bargain within the context of the Nixon Doctrine. Laird maintains that South Vietnamese strength could have coped with the North Vietnamese army and its sponsored Viet Cong insurgency given "more time and public support."⁸⁶ When Congress blocked further military assistance to Saigon during North Vietnam's military offensive in early 1975, South Vietnam's fate was sealed.

U.S. policy toward South Korea was the second most prominent application of the Nixon Doctrine during the early 1970s. The United States withdrew the 20,000 troops of the Seventh Infantry Division from South Korea while also moving the Second Infantry Division and other U.S. troops further south from the DMZ.⁸⁷ Citing South Korea's increasingly formidable conventional capabilities, the administration argued that South Korean forces, along with the remaining U.S. troops, would still constitute an effective deterrent against North Korea.

Washington's formal announcement of its troop withdrawal plans aroused a furious reaction from Seoul. South Korean President Park stated he felt personally "betrayed and abandoned" because he believed South Korea had developed a "special relationship" with the United States through its participation in the

⁸² See Jeffrey Kimball, "The Nixon Doctrine: A Saga of Misunderstanding," *Presidential Studies Quarterly*, Vol. 36, No. 1, Presidential Doctrines (March 2006), pp. 59-74.

⁸³ Laird, "A Strong Start in a Difficult Decade," pp. 7-8.

⁸⁴ Kimball, "The Nixon Doctrine," p. 67.

⁸⁵ Herring, *From Colony to Superpower*, pp. 767-768.

⁸⁶ Laird, "A Strong Start in a Difficult Decade," p. 21.

⁸⁷ Chae-Jin Lee, *A Troubled Peace: U.S. Policy and the Two Koreas* (Baltimore: Johns Hopkins University Press, 2006), p. 70.

Vietnam War.⁸⁸ An acrimonious round of negotiations ensued, with the Koreans accepting the American plan in return for \$1.5 billion in military aid. Despite leaving bruised feelings in Seoul, the shift in U.S. policy did accomplish what it set out to do: push an alliance partner toward greater self-sufficiency in defense. As historian Chae-Jin Lee writes, Park perceived the U.S. defense commitment as increasingly unreliable and “determined more firmly than ever to accelerate his military modernization plans and to initiate a new program for missile and nuclear development.”⁸⁹ To offset the reduction in U.S. ground forces, Park also began withdrawing South Korean troops from Vietnam in 1972.

In the case of Iran, the Nixon Doctrine enabled major U.S. arms sales to the shah. In its regional strategy, the administration sought to cultivate Iran and Saudi Arabia as “twin pillars,” or regional proxies, to counter Soviet influence in the Middle East.⁹⁰ Despite the strategic vacuum left by the withdrawal of Great Britain east of the Suez and the growing importance of Persian Gulf oil to Western security, the United States was unable to assign any U.S. military forces to the Indian Ocean region in the midst of the Vietnam War. This led President Nixon to engage Iran to act as a regional policeman and America’s bulwark of stability in the Middle East. Former aide Gary Sick recounts how during Nixon’s visit with the shah in Tehran in 1972, this strategic logic “was expressed with startling candor and simplicity at the end of their meeting. Richard Nixon looked across the table to the shah and said simply, ‘Protect me.’”⁹¹ As Kissinger later stressed, “all of this was achievable without any American resources, since the Shah was willing to pay for the equipment out of his oil revenues.”⁹² The shah accepted the strategic bargain with alacrity, and over the next five years Iran purchased \$16.2 billion in U.S. arms—the largest arms sale to date at the time—including F-14 fighters, laser-guided bombs, helicopter gunships, and warships.⁹³ Ironically, with the Shah’s fall to Islamic extremists in 1979, Iran not only failed to emerge as a strategic bulwark but became America’s principal enemy in the region.

The Nixon Doctrine also contributed toward an Australian shift away from a policy of “forward defense” and toward a force structure postured primarily toward the self-sufficient defense of the continent. This “defense of Australia” idea was articulated in the 1976 Defense White Paper *Australian Defence*. The Australian shift away from the “forward defense” policy pre-dated the Nixon

⁸⁸ Ibid., pp. 68-70.

⁸⁹ Ibid., p. 70.

⁹⁰ Douglas Little, *American Orientalism: The United States and the Middle East Since 1945* (Chapel Hill, NC: University of North Carolina Press, 2002), p. 5.

⁹¹ Gary Sick, *All Fall Down: America’s Tragic Encounter with Iran* (New York: Random House, 1985), p. 16.

⁹² Kissinger, *White House Years*, p. 1264.

⁹³ Herring, *From Colony to Superpower*, pp. 798-799; and Little, *American Orientalism*, p. 145.

Doctrine, as the Australians anticipated the diminished commitment to the region of its two key allies, the United Kingdom and the United States. After the United States failed to assure Australia of its military support against Indonesia in the early 1960s, Prime Minister Robert Menzies' government completed an arms buildup in 1965 to transform the Australian Defence Force into a more self-reliant force, re-introducing conscription and purchasing a range of sophisticated aircraft, helicopters, submarines, destroyers, and personnel carriers. As the recognition of the need for greater self-reliance took hold in Australian defense policy circles in the mid-to-late 1960s, the Nixon Doctrine provided a clear signal of the United States' reduced commitments to its Asian allies. It is the idea of self-reliance—necessitated by the diminished capabilities and commitment of the United Kingdom and the United States to the region—that drove the abandonment of “forward defense” and the formalization of the “defense of Australia” idea in 1976. The paper made clear that Australia recognized that it would have to be able to operate independently of its allies.⁹⁴

Defense Budget Priorities: Cutting Force Structure and Sacrificing Readiness to Pay for Personnel Costs and Long-Term Technological Investments

Each successive defense budget of the Nixon and Ford administrations declined in real terms, with a drop of over 40 percent from 1969 to 1976.⁹⁵ The chief cause of this precipitous decline was the gradual U.S. withdrawal from Vietnam between 1969 and 1972 and the lasting impact of the war on domestic politics and the economy. The defense budget began its decline in both Total Obligational Authority (TOA) and actual outlays after FY 1968.⁹⁶ Public disillusionment with the war meant defense spending could no longer be sustained at its current level. Congress, asserting itself on national security policy, cut the defense budgets proposed by Nixon, Ford, and Carter.⁹⁷ High inflation characterized much of the 1970s, diminishing the impact of the dollars that were spent on defense.⁹⁸ Facing rising procurement costs and unexpectedly high personnel costs even as overall

⁹⁴ See Hugh White, “Four Decades of the Defence of Australia: Reflections on Australian Defence Policy over the Past 40 Years,” in Ronald Huiskens and Meredith Thatcher, eds., *History as Policy: Framing the Future of Australia's Defence Policy* (Canberra, ACT: ANU E Press, 2007), pp. 163-187. See also, Paul Dibb, “The Self-Reliant Defence of Australia: The History of an Idea,” in Huiskens and Thatcher, eds., *History as Policy*, pp. 11-26.

⁹⁵ Robert W. Komer, “What ‘Decade of Neglect’?,” *International Security*, 10, No. 2, Fall 1985, p. 78.

⁹⁶ Komer, “What ‘Decade of Neglect’?,” p. 71.

⁹⁷ Allan R. Millett and Peter Maslowski, *For the Common Defense: A Military History of the United States of America* (New York: Free Press, 1994), p. 594; and Komer, “What ‘Decade of Neglect’?,” p. 71.

⁹⁸ Komer, “What ‘Decade of Neglect’?,” pp. 71-72.

defense budgets declined under Nixon and Ford, the Pentagon sacrificed readiness in order to manage the transition to the All-Volunteer Force (AVF) and lay some groundwork for future modernization.⁹⁹

The U.S. drawdown in Vietnam and the end of conscription in 1973 led to a significant decline in manpower, force structure, manpower, and conventional capability. The overall number of military personnel dropped from 3.4 million in 1968 to 2.1 million in 1975, and force structure was slashed.¹⁰⁰ In 1974, the United States fielded 46 percent fewer aviation squadrons, 47 percent fewer ships, and 16 percent fewer divisions than it had in 1964 before combat forces were dispatched to Vietnam.¹⁰¹ Nixon made the decision to end the draft in order to undercut the domestic anti-war movement, although the military services were unprepared to make the transition to the AVF. The 1970 Gates Commission report grossly underestimated the added costs of the AVF and overestimated rates of recruitment and retention.¹⁰² Consequently, military personnel costs actually rose as a share of the total defense budget from 34.2 percent in 1970 to 37.3 percent in 1975—a relatively small increase as a percentage of the overall defense budget but still higher than anticipated, given the elimination of over one million troops from the payroll.¹⁰³ Recruit pay rose 193 percent in constant (inflation-adjusted) dollars between 1964 and 1976 compared to a 10 percent increase for the average unskilled worker in the civilian marketplace.¹⁰⁴ Despite this, the first five years of the AVF saw unprecedented and unanticipated levels of attrition.¹⁰⁵

Military procurement costs also rose during this period, driven by inflation and mismanagement, but also by major investments in new technologies. The diversion of defense resources to fund the Vietnam War had come at the cost of an estimated seven or eight years of defense modernization, which had been deferred during the war years.¹⁰⁶ Melvin Laird, Nixon's Secretary of Defense from 1969 to 1973, has written that as the Nixon and Ford administrations began to address the problem of deferred modernization, the Pentagon sought to substitute technology for large-scale commitments of conventional forces and manpower.¹⁰⁷

Under Nixon and Ford, the Pentagon sacrificed readiness in order to manage the transition to the All-Volunteer Force (AVF) and lay some groundwork for future modernization.

⁹⁹ Millett and Maslowski, *For the Common Defense*, p. 598.

¹⁰⁰ *Ibid.*, p. 597.

¹⁰¹ *Idem.*

¹⁰² Morris Janowitz and Charles C. Moskos, Jr., "Five Years of the All-Volunteer Force: 1973-1978," *Armed Forces and Society*, 5, No. 2, February 1979, pp. 178-179, 183-185.

¹⁰³ John T. Warner and Beth J. Asch, "The Record and Prospects of the All-Volunteer Military in the United States," *The Journal of Economic Perspectives*, 15, No. 2, Spring 2001, p. 179. The military personnel cost figures from Warner and Asch include direct pay and allowances as well as indirect costs, such as recruiting, travel, permanent change of station costs, and payments to military retirees.

¹⁰⁴ Janowitz and Moskos, "Five Years of the All-Volunteer Force," p. 180.

¹⁰⁵ *Ibid.*, pp. 185-86.

¹⁰⁶ Komer, "What 'Decade of Neglect'?", p. 71.

¹⁰⁷ Laird, "A Strong Start in a Difficult Decade," pp. 24-25.

The Reagan buildup exploiting America's technological edge would not have been possible had there not been a range of programs in the defense pipeline ready to enter production

Though inflation was the primary culprit of cost overruns in major weapons programs, the increased technological sophistication of the systems themselves also drove costs higher. Millett and Maslowski estimate that “to replace each old tank, ship, and aircraft generally cost double the original investment,” in part because the equipment being procured was technologically more advanced and qualitatively superior.¹⁰⁸ In this way, the Pentagon pursued technological modernization as a means of compensating for the cuts in force structure and the downward pressure on defense budgets during the Nixon and Ford years.

The tradeoffs made by DoD during this period resulted in a smaller, less well-trained force in the short run. Yet it was one preparing to compete with the Soviets over the long-term on the basis of technological advantage and increased contributions from allies and partners, including *de facto* partners like China. Reflecting this, funding for research and development essentially held steady as a percentage of the overall defense budget during the 1970s (and therefore saw some real declines).¹⁰⁹ Nonetheless, the period saw important technological innovations that would come to fruition in the succeeding decades. Harold Brown, President Jimmy Carter’s Secretary of Defense, observed that whereas the United States essentially prevailed over the Germans in World War II through numerical superiority, the United States in the Cold War decided against competing on the basis of numbers against the Soviet Union.¹¹⁰ Instead, the Pentagon recognized and exploited the U.S. comparative advantage in technology, rejecting arguments for a larger but less technically sophisticated force. Brown emphasized the long-term payoff of investments in research and development as technologically driven programs, such as stealth, the Global Positioning System, precision-guided munitions, and the Joint Tactical Information Distribution System, initiated in the 1960s or 1970s, were fielded in the 1980s and employed in conflicts in the 1990s.¹¹¹ Thus the Reagan buildup exploiting America’s technological edge would not have been possible had there not been a range of programs in the defense pipeline ready to enter production, and in the quantities needed. The groundwork for force modernization had to have been laid by previous administrations. Indeed, in many respects, Reagan’s defense program was largely an acceleration of an arms buildup that began in modest form during the final years of the Carter administration.¹¹²

¹⁰⁸ Millett and Maslowski, *For the Common Defense*, p. 598.

¹⁰⁹ National Defense Budget Estimates for FY 2012, Department of Defense, Office of the Undersecretary of Defense (Comptroller), March 2011, available at http://comptroller.defense.gov/defbudget/fy2012/FY12_Green_Book.pdf

¹¹⁰ Interview with Harold Brown, Defense Acquisition History Project, U.S. Army Center of Military History, conducted at the Center for Strategic & International Studies, January 28, 2004, available at http://www.history.army.mil/acquisition/research/int_brown.html.

¹¹¹ *Idem*.

¹¹² Komer, “What ‘Decade of Neglect’?,” pp. 77-80.

Stealth: Technological Innovation, Cost Imposition

The development of stealth technology in the late 1970s and the 1980s provides an important example of technological innovation as a cost imposition strategy—though the story was heavily shaped by domestic politics and bureaucratic realities detached from purely strategic considerations. In fulfillment of a campaign promise, Carter in 1977 canceled the B-1 bomber. The bomber was designed to penetrate Soviet airspace. In its stead, the B-52 bomber force was equipped with standoff, air-launched cruise missiles—a decision unrelated to the ongoing research into stealth technology. In brief, Carter’s rationale for terminating the B-1 program was due to the questionable advantages it offered over the modernized B-52s in fulfilling the nuclear mission. After Carter rejected the B-1, General Thomas Stafford, the air force deputy for research and development, saw an opportunity to develop a new bomber that Carter could support—a strategic penetration bomber, acceptable under the terms of the SALT II Treaty, that would utilize stealth technology.¹¹³

Until that point, stealth research had been devoted to the development of a new fighter. William J. Perry, Carter’s undersecretary of defense for research and engineering, had identified stealth as a promising technology and sought to accelerate its introduction into the field. In 1978, Carter authorized the development of a stealth fighter, which became the F-117.¹¹⁴ Meanwhile, Stafford decided that, with the B-1 ruled out, stealth research should also be devoted to developing a new penetration bomber. Toward this end, the Air Force financed Northrop Aviation and other companies with funds from the “black budget.” In the following years, Carter received tremendous criticism from Congress for cancelling the B-1. The progress in stealth technologies, however, provided the administration with an implicit, *ex post facto* justification for its decision: the B-1, based on 1960s technology, could be bypassed for a revolutionary system now in the pipeline. The stealth bomber project subsequently developed a strong constituency in Congress, as Democrats who had rejected the B-1 increasingly viewed the stealth bomber as a defense project they could support. In effect if not in intent, Carter’s cancellation of the B-1 helped to create the bureaucratic conditions for accelerating the development of a technologically superior, follow-on platform, the B-2.¹¹⁵

The B-1’s cancellation proved temporary, as President Reagan decided to revive the program and build 100 B-1B bombers to be followed by 132 stealth

¹¹³ See Nick Kotz, *Wild Blue Yonder* (New York: Pantheon, 1988), chapters 12-13. See also Daniel Wirls, *Buildup: The Politics of Defense in the Reagan Era* (Ithaca, NY: Cornell University Press, 1992), pp. 20-21; and Nick Kotz, “Wild Blue Yonder,” in Peter L. Hays, et al., eds., *American Defense Policy* (Baltimore, MD: Johns Hopkins University Press, 7th ed., 1997), p. 219.

¹¹⁴ Thomas G. Mahnken, *Technology and the American Way of War* (New York: Columbia University Press, 2008), p. 162.

¹¹⁵ Kotz, “Wild Blue Yonder,” p. 219; Michael Brown, *Flying Blind: The Politics of the U.S. Strategic Bomber* (Ithaca: Cornell University Press, 1992), p. 272; and Wirls, *Buildup*, pp. 117-118.

bombers. The relatively quick renewal of the program was due in part to the efforts of Rockwell and the Air Force, both of which worked to keep the B-1's production line intact even after the program's cancellation in 1977.¹¹⁶ In a later interview, Harold Brown reflected that along with cancelling the B-1, the Carter administration should have destroyed the production line, as it

allowed the next administration to go ahead with the B-1 and delay the B-2, which was a very bad trade ... In retrospect, the right decision would have been not only to cancel the B-1 but to have started early on a stealth bomber.¹¹⁷

Yet, even if the procurement of the B-2 did not follow an ideal timeline, the Carter administration's decisions in the 1970s likely accelerated the stealth bomber program and gave it political momentum it may not otherwise have had.

The Reagan administration justified the development of the stealth bomber as a crucial element of a long-term, cost-imposition strategy directed against the Soviet Union. Whether for historical or bureaucratic reasons, the Soviet Union invested heavily in territorial defense and strategic air defense. U.S. defense planners were puzzled by the large Soviet investments in air defense in the absence of an effective anti-ballistic missile (ABM) system, likening the choice to "trying to keep the flies out of one's home by installing a screen door but leaving the window open."¹¹⁸ Regardless of the specific motivations for the Soviet investment priority, the proposition of fielding, maintaining, and upgrading a modern air defense system—including radars, SAMs, interceptors, and air-defense guns—against the world's most formidable air force was an expensive one, particularly given the Soviet Union's long land borders. The U.S. military became determined to exploit Soviet investment decisions to its advantage by upgrading its bomber force with the B-1B and B-2 bombers, thereby enhancing the threat to Soviet airspace. As Andrew F. Krepinevich and Robert C. Martinage observe, "By continuing to field new bombers, the United States gave voice to those in the Soviet Union who argued for sustaining the air defense system."¹¹⁹ During the B-1B controversy in the early 1980s, there was a vigorous debate in the Pentagon on the issue of how long the B-1B could serve as a viable penetrator. One Strategic Air Command Study estimated that the B-1B would not be able to penetrate Soviet air defenses after 1988, and some argued that stealth technology could be a more effective, long-term solution.¹²⁰ Stealth advocates maintained that fielding the stealth bomber would extend the competitive advantage of the U.S. bomber force and force the Soviets to

¹¹⁶ Kotz, "Wild Blue Yonder," pp. 218-223.

¹¹⁷ Interview with Brown, Defense Acquisition History Project.

¹¹⁸ Andrew F. Krepinevich and Robert C. Martinage, *Dissuasion Strategy* (Washington, D.C.: The Center for Strategic and Budgetary Assessments, 2008), pp. 14-16.

¹¹⁹ *Idem.*

¹²⁰ Kotz, "Wild Blue Yonder," p. 221.

continue to invest in costly and relatively benign air defenses, which would in turn divert resources away from more threatening capabilities, such as nuclear strike systems, submarines, or next generation armor.¹²¹

The B-1B bomber proved to be a problematic system that eventually lost its role in nuclear missions. Yet it served one of its intended purposes by imposing disproportionate costs on Moscow, by encouraging the Soviet Union's investment in expensive active defenses at the expense of offensive capabilities, thereby pushing the superpower competition in a highly favorable direction.

Conclusions

While history does not repeat itself or offer precise comparisons, historical case studies can stimulate thinking and provide useful insights into how a good strategy can help mitigate a decline in resources in the face of rising security challenges. As Kissinger concludes,

History is not, of course, a cookbook offering pretested recipes. It teaches by analogy, not by maxims. It can illuminate the consequences of actions in comparable situations, yet each generation must discover for itself what situations are in fact comparable.¹²²

In many, though not all respects, it appears that the situation today is comparable to that faced by U.S. policymakers in the 1970s. Once again, the United States remains in a position of global preponderance yet faces multiple rising regional powers and the prospect of an extended period of relative decline and constrained resources. After a decade of unpopular wars, budgetary and domestic political forces are placing downward pressure on future defense spending. Absent a catastrophic event that severely threatens vital U.S. interests, it appears unlikely that the United States will maintain its current level of spending on defense, let alone devote increased resources to it, over the next decade. The military balance of power is shifting away from the United States in a key theater—this time, in the Asia-Pacific—and perhaps in the Middle East as well. The resurrection of the “declinism” debate in the American political discourse both reflects and feeds a loss of confidence in U.S. power and national unease about America's role in the world. The parallels are striking indeed.

The Nixon-Kissinger strategy had its basis in a detailed and nuanced understanding of the strategic environment. Policymakers and strategists must once again seek to develop a sophisticated understanding of the dynamics shaping the international system today. Exercises in prognostication by the U.S. intelligence community published after the onset of the financial crisis in 2008,

¹²¹ Krepinevich and Martinage, *Dissuasion Strategy*, p. 16.

¹²² Kissinger, *White House Years*, p. 54.

While Nixon and Kissinger may have been pessimistic about the future, they were not fatalistic, nor were they passive.

such as the *Global Trends 2030* report released in December 2011, have offered relentlessly pessimistic views of the future of the United States, forecasting continued decline, the diminishment of U.S. global leadership, the loss of U.S. influence, and increased instability throughout the world. Yet these reports tend to both exaggerate present-day trends and anxieties, often in a near-straight-line extrapolation, and underestimate the United States' ability to alter its course or influence those trends in a favorable way. It is important to remember that while Nixon and Kissinger may have been pessimistic about the future, they were not fatalistic, nor were they passive. Indeed, the very conception of a more multipolar world with competing power centers provided the impetus for their creative diplomacy with Moscow and Beijing. While U.S. policymakers in the 1970s may have overestimated the relative strength of rivals and the magnitude of the changes in the structure of the international system, they certainly did not underestimate their own ability as statesmen and policymakers to alter the course of events and ensure that the United States maintained its global position. To reference *The Leopard* once again, "everything must change so nothing changes."¹²³ There are opportunities to exploit as well as challenges to confront in any period of transition.

After arriving at an understanding of the strategic environment, policymakers must then identify their objectives, set priorities among them, make choices regarding how these objectives will be pursued, and clearly state what objectives will not be pursued. Toward this end, policymakers would be wise to be informed by the grand strategic "holding action" initiated by the Nixon administration and pursued, if somewhat fitfully, by both the Ford and Carter administrations. While there is little domestic support today for a significant arms buildup, there is also limited support for full-scale retrenchment; a bipartisan consensus remains in favor of maintaining what is perceived as the indispensable U.S. role in the world. Of course a "holding action" is only a wise strategy if one believes that time is on the side of the United States. In the 1970s, the "holding action" saw the United States through a difficult decade before it emerged with renewed strength in the 1980s. Given the enduring strengths of the United States in geography, resource endowment, a dynamic economic system, cutting-edge technology, and a technology-literate manpower base, a strategy that plays for time or envisions the capability to contest a long-term competition appears to be relevant today. Whether the country's political leaders are willing to make the difficult decisions necessary to restore America's economic standing while pursuing a well-crafted national security strategy is another matter.

¹²³ Quoted in Harper, *The Cold War*, p. 167.

CHAPTER 4 > GREAT BRITAIN, 1900-1914

ANDREW F. KREPINEVICH

This chapter explores the strategies Great Britain pursued in the first years of the 20th century in attempting to maintain its pre-eminent position during a period of relative, and what has turned out to be sustained, economic decline.

At that time Great Britain possessed the greatest empire the world had ever seen, comprising one-quarter of all the territory on the globe—some 11 million square miles—and inhabited by over 350 million people. The Royal Navy underwrote the empire's security, with British maritime and economic superiority forming the key elements of a mutually reinforcing, virtuous circle. The Royal Navy protected the country's maritime commerce and the empire's many territories. At the same time naval superiority ensured that the commerce and overseas possessions of Britain's competitors were dependent, to a great degree, on the Royal Navy's forbearance. Great Britain's assured access to markets and ability to trade created the wealth necessary to underwrite advances in technology and a strong industrial base, which provided the foundation for both its economic might and maritime supremacy. This supremacy secured the British Empire and its trade routes, enabling the accumulation of still further wealth, thereby continuing the circle.

The Royal Navy was also the island nation's bulwark against invasion. As long as Britannia ruled the waves, she was safe from invasion. Its supremacy during the post-Napoleonic 19th century—the *Pax Britannica*—enabled Britain to eschew alliances, save for in the rare case of war. The measure of Britain's maritime supremacy was its "Two-Power Standard." Simply stated, the Standard required that the Royal Navy maintain a number of battleships equal to the combined total of those states possessing the second and third most battleships. By this measure, for much of the 19th century those fleets were the French and Russian, respectively.

GREAT BRITAIN'S CHALLENGE

The first years of the 20th century, however, also saw the foundations of Britain's global supremacy showing noticeable signs of erosion and decay. The country was confronting major changes in the geopolitical environment, the economic distribution of power, and military-related technologies. Britain was also facing internal shifts that further constrained its ability to mobilize resources to address these challenges. Finally, the country's treasury was taxed by a relatively short but expensive war that did little to advance its overall security. The combination of these factors required a major shift in British strategy. This was accomplished somewhat fitfully and the strategy that emerged was far from ideal. Yet it served to prepare Britain to deflect Germany's bid for hegemony in Europe and extend Britain's empire and position as a major power for another four decades.

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Geostrategic Shift: Emerging Great Powers

Today one speaks of the rise of the "BICs"—Brazil, India and China—to great power status. In the late 19th century British leaders were concerned over the emergence of three new major powers: Germany, Japan, and the United States. The traditional sources of Britain's concern, France and Russia, posed no immediate threat to British economic dominance as Britain's economic growth and prosperity in absolute terms continued to increase. Between 1870 and 1900 the country's gross national product grew from £1.317 billion to £2.048 billion, and national income per capita rose from £29.9 to £42.5.¹²⁴ London remained the world's financial center, and Britain's dominance over world trade continued.

When it came to the rate of economic growth, however, the United States and Germany had outstripped Britain to the point where their share of the world's industrial output now exceeded hers. Thus while British steel output continued to increase, that of the rising powers increased even more dramatically. Between 1890 and 1907 Britain's output rose from 3.6 to 6.5 million tons. The United States, which had passed Britain during the 1880s, went from 4.3 to 23.4 million tons, while Germany surged from 2.2 million tons to 11.9 million tons.¹²⁵ Correspondingly, Britain found its share of world manufacturing production declining.

The rapidly growing industrial might of the United States and Germany gave both countries impressive military potential. Germany drew upon this potential to field what was widely considered to be Europe's (and the world's) best army. The United States and Japan as insular powers accorded greater priority to their navies.

¹²⁴ Aaron Friedberg, *The Weary Titan*, p. 24.

¹²⁵ *Ibid.*, p. 25.

Declining Positional Advantage

For much of the 19th century, Great Britain's geostrategic position and its growing global empire enabled it to maintain positional advantage. As Admiral Jackie Fisher, Britain's First Sea Lord¹²⁶ (1904-10; 1914-15) and dominant military personality¹²⁷ of the era boasted, as long as the maritime competition remained confined to European powers, Britain controlled the keys for access to the world's major sea lanes.¹²⁸ With the possible exception of France, the fleets of other European states would have to pass through key chokepoints to gain access to the open seas to threaten the British Empire or its global commerce. These key chokepoints—the English Channel, Gibraltar, and Suez—were all controlled by Great Britain. Any fleet seeking to transit these narrow waters would have to pass under the watchful eye of the Royal Navy. Over time, Britain's global network of bases would be leveraged to gain dominant positions in the maritime competition, both in information and logistics.¹²⁹

As the United States and Japan emerged as major maritime powers, it became clear that the fleets of these two countries could not be locked up behind British-controlled European chokepoints. Nor could they be blockaded in port or forced to submit to battle by the Royal Navy's powerful Mediterranean or Home fleets, as could the French and Russian navies.

Britain's relative economic decline had clear consequences for her maritime position. Indeed, as shown in Table 2, in less than fifteen years, the number of maritime rivals had increased substantially, as had the scale of the competition itself.

London's immediate response to Japan's growing naval might was to strengthen the Royal Navy's China squadron with second-class battleships, and to build a class of smaller and lighter battleships that could traverse the Suez Canal and quickly reinforce units in the Far East. Such a force was hardly a match for the Japanese fleet that soundly defeated its Russian counterpart in the

¹²⁶ The position of First Sea Lord in the Royal Navy is roughly analogous to the U.S. Navy's position of Chief of Naval Operations.

¹²⁷ Fisher was a larger-than-life individual with a first-rate military mind and a keen understanding of bureaucratic infighting. The best single volume on Fisher and the revolutionary overhaul he attempted with the Royal Navy is found in Nicholas A. Lambert, *Sir John Fisher's Naval Revolution* (Columbia, SC: South Carolina University Press, 1999).

¹²⁸ Lambert, *Fisher's Revolution*, pp. 82-83.

¹²⁹ Great Britain maintained a dominant position in the network of undersea communications cables that was undertaken beginning in the mid-19th century. This assured it of an information (and hence intelligence) advantage over its rivals. Thanks to its unsurpassed global basing network, Britain also maintained a dominant position with respect to logistics in the form of coaling stations. As the fleets of the great powers shifted from wind propulsion (i.e., from the age of sail) to steam propulsion, a network of coaling stations was needed to sustain fleet operations over extended distances and/or periods of time.

TABLE 1. PERCENTAGE SHARES OF WORLD MANUFACTURING PRODUCTION

PERIOD	U.S.	GERMANY	BRITAIN	FRANCE	RUSSIA
1870	23.3	13.2	31.8	10.3	3.7
1881-1885	28.6	13.9	26.6	8.6	3.4
1896-1900	30.1	16.6	19.5	7.1	5.0
1906-1910	35.3	15.9	14.7	6.4	5.0
1913	35.8	15.7	14.0	6.4	5.5

Source: Aaron Friedberg, *The Weary Titan: Britain and the Experience of Decline 1895-1905* (Princeton, NJ: Princeton University Press, 1988), p. 26

British leaders were compelled to accept that the Royal Navy's maritime dominance over the world's oceans could not endure much longer, if indeed it still existed.

Russo-Japanese War of 1904-05.¹³⁰ The enormous military potential of the United States made pursuing such an offsetting strategy in the Western Hemisphere patently ludicrous. British leaders were compelled to accept that the Royal Navy's maritime dominance over the world's oceans could not endure much longer, if indeed it still existed.¹³¹

The rise of great regional powers to challenge British maritime supremacy found its expression in more ways than the development of new and more modern navies. Great Britain also found India, the crown jewel of its empire, coming under increased threat from Russia, whose construction of the Trans-Siberian Railroad led to fears that the Tsar would soon be able to transport and sustain large armies to the Indian frontier. This concern was magnified by the special importance the British attached to India. Lord George Curzon, Viceroy of India, summarized the situation in a letter written in 1901 to Arthur Balfour, then deputy to the prime minister: "As long as we rule India we are the greatest power in the world. If we lose it, we shall drop straight away to a third rate power."¹³²

¹³⁰ During the Russo-Japanese War of 1904-05, the Japanese fleet won an overwhelming victory against the Russian fleet in the Battle of Tsushima fought in the Tsushima Strait between the Korean Peninsula and southern Japan. Led by Admiral Togo, the Japanese fleet, although outnumbered by the Russian fleet two-to-one in battleships, sank 21 Russian ships (including 7 battleships) while capturing or disarming 13 other ships in one of the most one-sided victories in modern naval history.

¹³¹ Paul Padfield, *Battleship* (Edinburgh, UK: Birlinn Ltd., 2001), pp. 138-39.

¹³² Friedberg, *The Weary Titan*, p. 220.

Military-Technical Developments

The development of rail systems that served to erode the Royal Navy's mobility advantage was not the only military-technical development that threatened British supremacy. The fielding of more accurate firearms (including the machine gun) and artillery along with an enormous increase in the rate of fire (e.g., machine guns) presaged a change in the character of land warfare.¹³³

Of greater concern to Great Britain, given its heavy reliance on command of the seas, was the ongoing revolution in maritime warfare. The naval revolution that had begun in the late 1850s continued fitfully over the remainder of the 19th century. It was characterized by major and ongoing improvements in weaponry, propulsion and in armor plating. Guns steadily increased in size, range and penetrating power. Breech-loading guns replaced muzzleloaders during the 1880s, and steel armor-piercing projectiles were introduced around the same time. By the 1890s, a new type of "quick-firing" gun capable of firing up to fourteen rounds a minute was introduced. Moreover, advances in metallurgy made possible new types of armor far stronger and lighter than wrought iron. By the late 1890s, the latest type of all-steel armor boasted almost three times the strength-ton-for-ton as the armor used on ships constructed only twenty years before.¹³⁴

More impressive still were the advances in submarine and torpedo technologies, which enabled a series of rapid improvements in their capabilities. In 1898, gyroscopes were introduced to control a torpedo's vertical rudders, greatly enhancing its guidance and doubling its effective range overnight.¹³⁵ The development of larger torpedo models enabled still further increases in range. When set to run at a speed of 30 knots, torpedoes of 1901 vintage could run about 400 yards; in 1904, 4,000 yards; and in 1907, 7,500 yards. By 1908, the Royal Navy's Director of Naval Ordnance and Torpedoes promised a weapon that could run 12,000 yards at 30 knots—well beyond the effective range of the fleet's most powerful guns.¹³⁶ As that day grew closer, even the smallest seaworthy boats could outrange enemy battleships with their torpedoes, launching them and retiring with virtual impunity. Like today's cruise missiles, nothing prevented the torpedo's range from being increased even further if reductions in speed or payload were accepted.

¹³³ For a discussion of the revolution in land warfare that occurred between the Napoleonic Wars and the mid-19th century, see Geoffrey Wawro, *The Austro-Prussian War* (Cambridge, UK: Cambridge University Press, 1996), pp. 6-35. Often referred to as the "railroad, rifle, telegraph revolution," it first clearly manifested itself in the wars of German unification and the American Civil War, reaching its apogee in World War I.

¹³⁴ Ronald Spector, *At War at Sea: Sailors and Naval Combat in the Twentieth Century* (New York: Penguin, 2002), pp. 22-23

¹³⁵ Lambert, *Fisher's Revolution*, p. 27.

¹³⁶ Nicholas Lambert, "Dreadnought—The Revolution that Never Was," (Unpublished Paper, 2002), p. 17.

TABLE 2. BATTLESHIPS OF THE GREAT POWERS

COUNTRY	1883	1897 (INCLUDES CONSTRUCTION)
Britain	38	62
France	19	36
Germany	11	12
Russia	3	18
Italy	7	12
USA	0	11
Japan	0	7

The breakthroughs in torpedo technology coincided with those associated with the submarine. In an experiment conducted by the French Navy in January 1898, one of its two practical submarines, the *Gustave Zédé*, torpedoed an anchored battleship. Two years later the *Gustave Zédé* became the first submarine to torpedo a moving battleship during exercises.¹³⁷ The combination of submarines and torpedoes seemed to offer Great Britain's rivals a way to threaten the Royal Navy's dominance without having to match it battleship for battleship.¹³⁸ At the time, submarines could not fight submarines, at least not under water. Britain could build as many submarines as she liked and still France would be able to send out her own stealthy, silent flotillas to strike at the Royal Navy's battle fleet or to ravage British trade.¹³⁹ Once this came to pass, the Royal Navy's battle fleet would, the French (and later the Germans) hoped, be rendered irrelevant.

¹³⁷ Padfield, *Battleship*, p. 154.

¹³⁸ The U.S. Defense Department refers to this kind of competition as "asymmetric warfare." The term originated in the Pentagon's Office of Net Assessment, under the direction of Andrew W. Marshall. See Andrew F. Krepinevich, "The Military Revolution," (Unpublished paper, November 1993), pp. 117-24. The paper was the second of three assessing an emerging revolution in the character of warfare. Krepinevich wrote the first of these assessments in 1992 while serving on Marshall's staff. See Andrew F. Krepinevich, *The Military-Technical Revolution: A Preliminary Assessment* (Washington, DC: Center for Strategic and Budgetary Assessments, 2002). Although published in 2002, the assessment was a Department of Defense document originally produced in July 1992.

¹³⁹ Padfield, *Battleship*, p. 155.

Britain's Internal Problems

BIRTH OF THE WELFARE STATE

At the same time that external challenges to Britain's security were increasing, so too were the strains on the government's resources. The progressive increases in the size of Britain's electorate had prompted greater demands for social spending at the expense of defense. (There was little appetite for raising taxes or engaging in deficit spending to enable a policy of "guns and butter.")¹⁴⁰ The Liberal Party ran on a platform of meeting these demands, and won an overwhelming victory in the 1906 elections. Having won the election, the party enacted a series of social legislation greatly expanding domestic spending that arguably set the country on the path toward a social welfare state.¹⁴¹

The legislation marked the shift of the dominant ideology in the party from classical liberalism to "modern" liberalism, and the promotion of a far more activist role for government in its citizens' affairs. Between 1905 (the last year of Conservative rule) and 1914 spending on education (as measured in constant 2005 pounds) increased by 26 percent, while spending on health increased by over 30 percent.¹⁴² Between 1905 and 1908 spending on the military (again, as measured in constant 2005 pounds), declined by about 13 percent.¹⁴³

THE BOER WAR

The Boer War, which lasted from 1899-1902, proved another major drain on the public purse. Early estimates of the war's cost were highly optimistic at between £5-10 million. These estimates soon ballooned to £21.5 million. Even they proved optimistic. The British Army's budget rose from £21 million to £44.1 million from 1899-1900. In 1901 and 1902 the budget expanded to £92.4 million and £94.2 million, respectively.¹⁴⁴

¹⁴⁰ Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987), p. 230. In 1913, the age before the rise of the social-welfare state, Britain's government consumed less than 15 percent of the country's GNP. By 2010 the share had more than tripled. "UK Public Spending as Percent of GDP," available at http://www.ukpublicspending.co.uk/total_spending_chart#copypaste, accessed on March 5, 2012.

¹⁴¹ See "Time Series Chart of UK Public Spending," available at http://www.ukpublicspending.co.uk/spending_chart_1901_2011UKp_11s1io11cn_30t, accessed on February 17 and 27, 2012. Between 1905 and 1914, military spending increased by over fifteen percent (again, as measured in constant 2005 pounds). Britain's deteriorating security situation, particularly the German naval buildup, was a key factor in ending the defense spending cuts.

¹⁴² See "Time Series Chart of UK Public Spending," available at http://www.ukpublicspending.co.uk/spending_chart_1901_2011UKp_11s1io11cn_30t, accessed on March 5, 2012.

¹⁴³ See "Time Series Chart of UK Public Spending," available at http://www.ukpublicspending.co.uk/spending_chart_1901_2011UKp_11s1io11cn_30t, accessed on March 5, 2012.

¹⁴⁴ Friedberg, *The Weary Titan*, pp. 99, 106.

MANNING AND EQUIPPING THE NAVY

Meanwhile, the cost of maintaining the Royal Navy was increasing. Technological advances enabled the construction of ever more capable *and complex* ships, but at a price. By 1904 the cost of a battleship had climbed to £1.6 million, and that of a cruiser to £1.4 million.¹⁴⁵

It was also becoming progressively difficult to man the fleet. Between 1889 and 1904 fleet manpower more than doubled to 131,100, as maintaining the numbers of ships required to meet the Two-Power Standard and patrolling the far reaches of empire meant that very few warships had been decommissioned, even though the continued broad and rapid advances in military technology had rendered many of them effectively obsolete.¹⁴⁶ This imposed significant overhead costs, in terms of maintenance, operations and personnel. It also created a drag effect. Like barnacles on the hull of a ship, the number of outdated ships slowed Britain's ability to keep pace with the dynamic maritime competition.¹⁴⁷

Manpower posed a particularly vexing challenge. At the end of the nineteenth century, at least one-third of the crew of the newest cruisers needed specialized skills or training. In the newest dreadnought-type battleships this requirement had grown to three quarters of the total crew.¹⁴⁸ The new ships' thirst for ever-greater numbers of skilled sailors seemed unquenchable. For example, as many as three-quarters of the seamen on the battle cruiser *Invincible*, designed in 1906, were supposed to have skilled ratings as compared with only one-third of the seamen manning the armored cruiser *Drake*, designed in 1902.¹⁴⁹ The problem was magnified in that it took the Royal Navy roughly six years to qualify a seaman as a specialist, and eight years to train an entire crew from scratch.¹⁵⁰ This was over twice as long as it took to build a large ship.

To keep its warships at a high level of battle efficiency, the Royal Navy needed experienced sailors and high reenlistment rates among those sailors.

¹⁴⁵ Lambert, *Fisher's Revolution*, p. 91.

¹⁴⁶ Spector, *At War at Sea*, pp. 44-45; and Lambert, *Fisher's Revolution*, p. 112. The demands on personnel increased for both technical and non-technical reasons. For example, when centralized fire control was introduced in 1904, battleships acquired fire control teams consisting of twenty to fifty men. Their role was to receive, record, and calculate range, course, and speed information and convert the data into information for the big guns. The introduction of larger engines increased the demand for coal stokers. Indeed, one major reason for the Royal Navy's early shift to oil-fired engines was to relieve some of the stress on manpower requirements.

¹⁴⁷ The Royal Navy did not keep its entire fleet in full commission in peacetime. Typically around one-third of its personnel were billeted ashore. Almost half of the "War Fleet" was in reserve. To develop its full "two-power strength," the Royal Navy had to mobilize the reserve. Lambert, *Fisher's Revolution*, p. 111.

¹⁴⁸ Spector, *At War at Sea*, p. 33.

¹⁴⁹ Lambert, *Fisher's Revolution*, p. 113.

¹⁵⁰ Spector, *At War at Sea*, pp. 27-28. The Admiralty was becoming ever more dependent upon technically skilled "higher rates" (i.e., those with a minimum of 8 years experience) to maintain and operate its technically advanced warships and weapon systems.

Unfortunately, it was also experiencing retention problems. By 1904, at least a third of enlisted personnel had less than five years experience, even though the Admiralty offered pay raises and in some cases financial incentives. One of the most serious complaints among sailors was the long length of deployments overseas.¹⁵¹ Despite the rising challenges to its security, British manpower levels continued to shrink long after the Boer War drawdown was completed. The need to address the manpower issue became a critical part of Admiral John “Jackie” Fisher’s “scheme” for redeploying Britain’s fleets and adopting “Nucleus Crews” when he became First Sea Lord.¹⁵²

With the Liberal Party intent on meeting demands for increased social spending while avoiding major increases in taxation, something had to give. The state of affairs could not continue. Indeed, the Tory (Conservative) Party, rival party to the Liberal Party, also saw the need for budget economies. In 1904 Austen Chamberlain, Chancellor of the Exchequer, called for real reductions in government spending with particular emphasis on reducing defense estimates. He warned that “however reluctant we may be to face the fact, the time has come when we must frankly admit that the financial resources of the United Kingdom are inadequate to do all that we should desire in the matter of Imperial defense.”¹⁵³

GREAT BRITAIN’S STRATEGY

The Importance of Maritime Supremacy

Britain’s response to these rising security challenges in an age of relative austerity was to develop a strategy to sustain its dominant position as long as possible.

Since at least Napoleon’s time, British policy had focused on blocking attempts by any state to achieve a hegemonic position in Europe. Toward this end, Britain had pursued a policy of “limited liability” with respect to its efforts to preserve the balance of power. This meant that Britain would only deploy a field army to the Continent if confronted by a European rival pursuing a “Napoleonic Policy,” i.e., attempting to establish hegemony over the Continent.

Following the unification of Germany under Prussia’s leadership in 1871, the Kaiser’s army stood as the pre-eminent land force on the Continent. As Germany’s economic might outstripped that of France and Britain, concerns mounted that Berlin might seek hegemony in Europe. Should this occur, Great Britain’s ability

¹⁵¹ Spector, *At War at Sea*, p. 55. Standing the notion of financial incentives on its head, at this time some one thousand men a year purchased their early discharge from the Royal Navy by making a lump-sum payment to the Admiralty!

¹⁵² Lambert, “Dreadnought,” pp. 27-28.

¹⁵³ Friedberg, *The Weary Titan*, p. 89.

Diverging from tradition, a series of British governments, both Conservative and Liberal, moved to “outsource” certain security commitments to new allies and partners.

to maintain naval dominance would be at risk. A hegemonic power would have far greater resources at its disposal than Britain to build a fleet.¹⁵⁴

Absent the emergence of a continental hegemon, strategists of the time believed that the Royal Navy’s superior battle fleet would deter enemies from attempting an invasion or blockade of the British Isles and could intimidate them from even sending their capital ships to sea. Meanwhile, Britain’s relatively small semi-autonomous station fleets would protect Britain’s empire and oceanic trade.¹⁵⁵ While Britain faced only one threatening land power in Europe,¹⁵⁶ it confronted an array of countries determined to build first-class navies, among them old rivals France and Russia, as well as rising powers such as Japan, Germany, and the United States. Of particular concern was Germany, whose decision to build a “Risk Fleet”¹⁵⁷ emerged as the greatest threat to British maritime superiority.

Diplomacy

Confronted with rising challenges and relatively declining resources, Britain adapted its diplomacy to the situation with remarkable speed and considerable effectiveness. For much of the 19th century, Britain had generally eschewed alliances unless involved in a war. Diverging from tradition, a series of British governments, both Conservative and Liberal, moved to “outsource” certain security commitments to new allies and partners. Relying on other states to help defend British interests gave Britain greater leeway, but also involved taking on greater risks.

THE UNITED STATES AND APPEASEMENT

The United States posed a unique problem for British strategists. The rapidly rising North American state had emerged as the world’s leading economic power and seemed likely to continue its impressive growth rate. Simply put, the United States had the ability, should it desire, to build a navy of enormous size. Lord

¹⁵⁴ Lawrence James, *The Rise and Fall of the British Empire* (New York: St. Martin’s Press, 1994), p. 342.

¹⁵⁵ Lambert, “Dreadnought,” p. 7.

¹⁵⁶ The potential threat of Russia’s army was not against Europe, but against India. See Friedberg, *The Weary Titan*, pp. 260-61, 267-69. Following Russia’s devastating defeat in the Russo-Japanese War in 1905, the threat of an invasion of India was viewed as improbable for the foreseeable future.

¹⁵⁷ The central premise of Germany’s “Risk Fleet” was to build a navy sufficiently powerful that the Royal Navy would not risk engaging it. The logic behind the Risk Fleet was that while the Royal Navy could defeat the German Navy, it would suffer such losses in doing so that it would be prey for the navies of the other great powers. Great Britain viewed Germany’s efforts to pursue this strategy as highly provocative. See Eyre Crowe, “Memorandum on the Present State of British Relations with France and Germany,” January 1, 1907, in G. P. Gooch and Harold Temperley, eds., *British Documents on the Origins of the War; Volume III: The Testing of the Entente, 1904-06* (London: His Majesty’s Stationery Office, 1928), pp. 398-420.

Selborne, not long after assuming his position as First Lord of the Admiralty in 1900, privately declared that British policy should assume that the United States would not become a hostile competitor to Britain. Instead, the Two-Power Standard would be applied against the Dual Alliance of France and Russia, which posed an immediate danger. Admiral Fisher's views on the matter were expressed more directly:

The more carefully this problem is considered, the more tremendous do the difficulties which would confront Great Britain in a war with the United States appear to be ... That [such a war] ... would be unpopular and that the outcome of the struggle could only result sooner or later, in the loss of Canada, are the conclusions difficult to avoid.¹⁵⁸

Given these facts, Fisher advised the government to "use all possible means to avoid such a war;" in any case, "it seems an utter waste of time to prepare for it."¹⁵⁹ As for Canada, which would no doubt be a prime target in the event of war with the United States, the Admiralty's view was that Ottawa was on its own. The United States, therefore, was not to be included in calculations pertaining to the Two-Power Standard and both London and Ottawa were to avoid antagonizing the sleeping giant. If it somehow became aroused, the hope was that it might somehow be appeased.¹⁶⁰

JAPAN AND ALLIANCE

By explicitly excluding the American fleet from the Two-Power Standard, and implicitly ceding maritime supremacy in the Western Hemisphere to the United States, the stage had been set, at least in principle, for crafting a similar arrangement in the East. Britain moved to arrange an alliance with Japan.

The need for Britain to take some action to redress her eroding position in East Asia seemed obvious. Only a few years earlier, in 1898, Whitehall felt compelled

¹⁵⁸ Friedberg, *The Weary Titan*, p. 197.

¹⁵⁹ *Idem*.

¹⁶⁰ The warming of Anglo-American relations arguably began with Britain compromising with Venezuela on a dispute over territory claimed by both governments in Guiana. In July 1895, U.S. Secretary of State Richard Olney, invoking a new and broader interpretation of the Monroe Doctrine, demanded U.S. arbitration on the basis that any quarrel in the Western Hemisphere directly affecting American interests gave the United States the right to intercede. The British initially challenged this interpretation, creating a crisis. On February 27, 1897, Prime Minister Salisbury sent a conciliatory note accepting the broad interpretation of the Monroe Doctrine and agreeing to U.S. arbitration. In 1899 an arbitration board awarded the lion's share of the disputed territory to Great Britain (i.e., British Guiana). With war averted, the two countries found themselves enjoying improved relations. A number of officials in the Admiralty seemed in favor of an unofficial alliance with the United States Navy, or at least some kind of intelligence sharing, so that both services could act in concert to maintain free trade and the status quo in the Pacific. Padfield, *Battleship*, p. 139.

to reinforce its Asian squadron in the face of the growing maritime competition. By spring of that year the Royal Navy had three battleships and ten cruisers of various descriptions in Chinese waters, while France and Russia together had three large vessels and twelve smaller ones. Germany seemed to hold the balance between the two sides with two battleships and five unarmored cruisers. Japan, however, now possessed a navy that included three battleships and twelve unarmored cruisers. Despite its small size, Japan's fleet was deemed by the first lord of admiralty to be already "very formidable," an observation that would be born out by Japan's decisive defeat of the Russian fleet at the Battle of Tsushima.¹⁶¹

In 1900 and 1901, the British gradually shifted more of its Mediterranean and Home fleets to the Pacific in an attempt to match the growing naval power of France and Russia. The British government soon found itself questioning the wisdom of these deployments. Selborne argued that if Britain found herself at war with France and Russia, "the decisive battles ... would certainly be fought in European water," and that the Royal Navy should attempt to insure that it amassed the strongest possible force in this theater of operations.¹⁶² Selborne continued:

If the British Navy were defeated in the Mediterranean and the Channel the stress of our position would not be alleviated by any amount of superiority in the Chinese seas. If, on the other hand, it were to prove supreme in the Mediterranean and the Channel, even serious disasters in Chinese waters would matter little. These considerations furnish, therefore, a sound argument for keeping our naval strength in Chinese waters as low as is compatible with the safety of the Empire.¹⁶³

Good strategy also suggested the British abandon their allergy toward alliances and engage Japan. Having "solved" the matter of preserving British interests in the New World by resting them on the good will of the United States, Whitehall sought to secure British interests in East Asia by forging an alliance with Japan. This would enable the Royal Navy to concentrate overwhelming naval power against the Dual Alliance in Europe. The alliance agreement, signed in 1902, saw the combined battleship strength of Britain and Japan in Asian waters at eleven, two ahead of the combined strength of France and Russia. An Anglo-Japanese alliance also enabled the two to maintain a preponderance of cruisers in the region as well.¹⁶⁴ Once again Britain put the best face on its eroding strategic situation and forge a cooperative alliance with Japan to preserve its position in the Far East.

The alliance paid off when the Imperial Japanese Navy shattered the Russian fleet at Tsushima, setting back one of Britain's key maritime rivals indefinitely. The alliance was renewed in 1911 and served Britain well during World War I.

¹⁶¹ Friedberg, *The Weary Titan*, p. 166.

¹⁶² *Ibid.*, p. 175.

¹⁶³ *Idem.*

¹⁶⁴ *Ibid.*, p. 177.

THE UNITED STATES, JAPAN AND THE TWO-POWER STANDARD

By assuming that the United States would not act to threaten its interests in North America and through its alliance with Japan, Britain addressed the problem of defending its imperial interests outside of Europe by relying on the support of others, albeit not without incurring some risk. In a more modest way, the Two-Power Standard still existed, as Britain continued to maintain its lead over the world's second- and third-largest naval powers, France and Russia. However, the rise of extra-European great regional powers meant that the Two-Power Standard was no longer an adequate measure of British global maritime dominance. Instead, it came to reflect the Royal Navy's ability to hold its own solely against the navies of its European rivals.

THE GERMAN QUESTION

The international situation, however, remained in flux. While Whitehall intended to use the diplomatic tools of appeasement and alliance to shore up its position on the periphery and maintain the Two-Power Standard against France and Russia, there remained the matter of Germany, which clearly had the potential to displace Russia in naval power (and perhaps France as well), and which had begun to manifest its interest in doing so. Following the Battle of Tsushima Lord Selborne stated:

It is an error to suppose that the Two Power Standard adopted by this country some fifteen years ago, ratified by every Government since, and accepted as an article of faith by the whole nation has ever had reference only to France and Russia. It has always referred to the two strongest Naval Powers at any given moment If the Russian navy were to emerge from the present war materially weakened, the result will be that the Two Power Standard must hereafter be calculated with reference to the navies of France and Germany.¹⁶⁵

That Germany stood next in line to inherit a place in the Two-Power Standard was a consequence of Kaiser Wilhelm's fascination with sea power, his mixture of admiration and envy of the Royal Navy, his desire to have a fleet commensurate with Germany's growing stature in the world, and the talents of his senior naval advisor, Admiral Alfred von Tirpitz.

Germany's ascension to the front ranks of maritime powers began in 1897 when the Kaiser appointed Tirpitz as his naval minister. As the years passed, and as the German battle fleet grew, the Admiralty became increasingly focused on the growing threat across the North Sea. The concern was based on more than the size of the Kaiser's fleet. It also stemmed from the fact that, "in marked contrast to the gross venality and bureaucratic inefficiency prevailing in the Russian

¹⁶⁵ Ibid., p. 191.

service, the gadfly policies of the French and the chronic inefficiency of the Italian navy, the German service was notoriously hard-working, was backed by great industrial strength and was administered with single-minded determination.”¹⁶⁶ By mid-decade, many naval strategists saw Germany’s emerging High Seas Fleet as the greatest threat to British maritime supremacy.

ENTENTE WITH FRANCE

The growing German challenge played an increasing role in Britain’s rapid diplomatic maneuvering. In 1904, only six years after Britain and France almost went to war over competing territorial claims in the upper Nile area at Fashoda¹⁶⁷ (located in present-day Sudan), the two countries entered into an *entente cordial*. France agreed to recognize Britain’s position in Egypt, while Britain accepted France’s sphere of influence in Morocco. Over time the British made good on their word, backing France during the 1905 and 1911 Moroccan crises with Germany. Indeed, the entente quickly became less a means of resolving colonial disputes than one designed to counterbalance Germany’s growing power.¹⁶⁸

In the span of less than a decade, Britain had managed to dramatically increase its freedom of maneuver.

AN UNDERSTANDING WITH RUSSIA

The last piece in Britain’s geopolitical revolution came in August 1907 when it signed the Anglo-Russian Convention with Russia. The tsar, weakened by his country’s defeat in the war with Japan and the revolution of 1905-06, was willing to respect the British position in India and accept the partitioning of Persia into spheres of influence between the two states. As with Japan, Whitehall felt there was more than a little risk in entering into such an agreement, but found it necessary given the relative decline in its power.

THE REDRAWN GEOPOLITICAL FIELD

In the span of less than a decade, Britain had managed to dramatically increase its freedom of maneuver. The United States showed no inclination of posing problems for Britain in the Western Hemisphere, while Japan was now responsible for helping Britain preserve its position in the Far East. The threat from Russia

¹⁶⁶ Padfield, *Battleship*, p. 159.

¹⁶⁷ The Fashoda incident emerged out of the British ambition to link their colonies in Africa along a north-south axis from “Cairo to Cape Town,” while France sought a similar east-west linkage between French West Africa and Djibouti. The two axes intersected roughly at Fashoda. When British and French forces encountered each other there in the summer and fall of 1898, a crisis ensued. It continued into March 1899, when France, finding itself in a disadvantageous military position, faced with an unwilling ally in Russia, and increasingly concerned over the Germany’s growing might, withdrew its forces. Lawrence James, *The Rise and Fall of the British Empire*, pp. 284-85.

¹⁶⁸ Hew Strachan, *The Outbreak of the First World War* (Oxford: Oxford University Press, 2004), p. 24.

to India, the jewel of the empire, was, at least temporarily, diminished. France, the centuries-old enemy, had emerged as a partner of Britain in opposing any attempt by Germany to establish hegemony on the Continent.

Whitehall's diplomatic *tour de force* also enabled an equally dramatic repositioning of Britain's fleet to address the principal risk to its security.

Maritime Strategy: Fisher's Scheme

On December 6, 1904 Lord Selborne presented his case for dramatic changes in the positioning of the fleet to the Cabinet. Selborne's argument was in many ways congruent with newly appointed First Sea Lord Admiral Fisher's scheme to transform the fleet. It was supported by two main lines of reasoning, one geopolitical, and the other military-technical. Selborne declared:

A new and definite stage has been reached in that evolution of the modern steam navy which has been going on for the last thirty years, and that stage is marked not only by the changes in the materiel of the British navy itself but also by changes in the strategic position all over the world arising out of the development of foreign navies.¹⁶⁹

With regard to military-technical matters, Selborne noted, "The principles on which the present peace distribution of His Majesty's ships and the arrangement of their stations are based, date from a period when the electric telegraph did not exist and when wind was the motive power."¹⁷⁰ Royal Navy squadrons, many of which were compromised of old, outdated ships that could "neither fight nor run away," were scattered all over the globe. These ships needed to be decommissioned and the remainder of the fleet regrouped to support a peacetime basing and presence posture that would also represent the "best strategical [sic] distribution for war."¹⁷¹

Selborne's strategy built on the success of British diplomacy, the rapid movement of early warning information enabled by undersea cables, and the emphasis on speed and range in British ship designs. It called for the Royal Navy to be reorganized around three major fleets—Home, Atlantic, and Mediterranean—with home ports at Dover, Gibraltar, and Malta, respectively.¹⁷² Meanwhile, the Pacific,

¹⁶⁹ Friedberg, *The Weary Titan*, p. 135.

¹⁷⁰ Lambert, *Fisher's Revolution*, p. 98.

¹⁷¹ Friedberg, *The Weary Titan*, p. 137.

¹⁷² Ruddock Mackay, "The Admiralty, the German Navy and the Redistribution of the British Fleet, 1904-1905," *Mariner's Mirror*, August 1970, pp. 342-43. Under the scheme the Home Fleet with eight battleships was to have "its strategic centre at Dover." The Channel Fleet with its eight battleships became the Atlantic Fleet, to be based at Gibraltar. The Mediterranean Fleet (twelve battleships) shifted some battleships to Malta, owing to the Atlantic Fleet's basing at Gibraltar.

Fisher’s strategy rested on greatly reducing the Navy’s emphasis on battleships, while increasing reliance on battle cruisers for imperial defense and fleet-on-fleet engagements and submarines for a “flotilla defense” of the home islands.

South Atlantic, North American, and West Indian squadrons were withdrawn.¹⁷³ A Cape squadron was formed to cover Fisher’s geostrategic key at the Cape of Good Hope. Also stood up was an “Eastern warfleet” [sic] based at Singapore, which was formed by consolidating remnants of the Australian, Chinese, and East Indian stations.¹⁷⁴ For Fisher, the Atlantic Fleet based at Gibraltar was key to his plans for a rapidly deployable fleet. “We have rearranged it with our best and fastest battleships and cruisers and our best admirals ... it is always instantly ready to turn the scale (at the highest speed of any fleet in the world) in the North Sea or the Mediterranean...”¹⁷⁵

REDUCED EMPHASIS ON BATTLESHIPS

As Lord Selbourne’s observations suggest, rapid advances in technology (and hence potential military capability) were opening up new possibilities to generate competitive advantage. Admiral Fisher recognized this and sought to exploit it within a strategy that improved the Royal Navy’s position while working with diminished resources. Toward that end Fisher declared “STRATEGY,” [emphasis in the original] not tradition, “should govern the types of ships to be designed.” And as for ship design, “the first essential is to divest our minds totally of the idea that a single type of ship as now built is necessary.”¹⁷⁶

Challenging the primacy of the traditional ship-of-the-line, Fisher argued:

There is good ground for enquiry whether naval supremacy of a country can any longer be assessed by its battleships. To build battleships merely to fight an enemy’s battleships, so long as cheaper craft destroy them, and prevent them of themselves protecting sea operations, is merely to breed Kilkenny cats unable to catch rats or mice. For fighting purposes they would be excellent, but for gaining practical results they would be useless.¹⁷⁷

Fisher’s strategy rested on greatly reducing the Navy’s emphasis on battleships, while increasing reliance on battle cruisers for imperial defense and fleet-on-fleet engagements and submarines for a “flotilla defense” of the home islands.

¹⁷³ The commander of Britain’s China Squadron petitioned to have one battleship of his five maintained to serve as his flagship. He was told to send the ship and to come home with it. Robert K. Massie, *Dreadnought* (New York: Random House, 1991), p. 463.

¹⁷⁴ In February of 1905 Selborne also announced cutbacks in Britain’s dockyards at Halifax and Esquimalt in Canada, Jamaica in the Caribbean, and Trincomalee in South Asia.

¹⁷⁵ Mackay, “The Admiralty, the German Navy and the Redistribution of the British Fleet,” p. 345. To secure unanimous support for his rebasing plan, Fisher made several concessions to political and budgetary priorities. To further economize, Selborne kept additional ships in home waters. On the other hand, he also maintained 11 obsolete battleships that Fisher had planned to scrap. Lambert, *Fisher’s Revolution*, p. 115.

¹⁷⁶ Lambert, *Fisher’s Revolution*, p. 92.

¹⁷⁷ *Idem*.

BATTLE CRUISERS

Fisher called for launching a new class of fast, heavily armed warships called battle cruisers. These ships sacrificed armor protection for speed and heavier armament with respect to ship design. Fisher believed that such ships could serve two key purposes. First, if need be, they could successfully engage battleships since their superior speed would allow them to set the engagement range, and their superior all-big gun long-range armament would enable them to hit the enemy beyond his effective striking range (hence the willingness to sacrifice armor). Second, enhancements in Britain's global early warning system, made possible by the telegraph and undersea cables, when combined with the battle cruisers' speed would enable them to move rapidly to any threatened point in the empire.

FLOTILLA DEFENSE

Fisher's time in command of the Mediterranean Fleet gave him a healthy respect for the dangers of attempting close blockade operations against an enemy naval base protected by torpedo boats, anti-ship mines and, if developments continued along present lines, submarines. Fisher insisted that he needed more destroyers immediately. He requested the number of destroyers in the Mediterranean Fleet be tripled to help him ward off the guerrilla-like attacks he anticipated from torpedo-armed craft should the fleet go to war. "If more destroyers are not obtained," he warned, "we shall have the Boer War played over again at sea ... To steam a fleet at night without a fringe of destroyers is like marching an army without an advance guard, flanking parties or scouts."¹⁷⁸

If torpedo boats were difficult to detect at night, Fisher could foresee the havoc that would be wreaked once submarines introduced a stealth revolution in warfare at sea. "It's astounding to me, *perfectly astounding*, how the very best amongst us absolutely fail to realise the vast impending revolution in naval warfare and naval strategy that the submarine will accomplish," Fisher wrote to a fellow admiral. "In all seriousness I don't think it is even *faintly* realised—the *immense impending revolution which the submarines will effect as offensive weapons of war.*" [Emphasis in the original] Fisher concluded that, "when you calmly sit down and work out what will happen in the narrow waters of the Channel and the Mediterranean how totally the submarines will alter the effects of Gibraltar, Port Said, Lemnos and Malta, it makes one's hair stand on end!"¹⁷⁹

In a letter written in January 1904 Fisher predicted that:

> The submarine is coming into play in ocean warfare almost immediately.

¹⁷⁸ Massie, *Dreadnought*, p. 443.

¹⁷⁹ Lambert, *Fisher's Revolution*, p. 83.

- > Associated with a Whitehead torpedo eighteen feet in length it will displace the gun and absolutely revolutionise naval tactics.
- > No single submarine ever built or building will ever be obsolete.¹⁸⁰

“I stake my reputation on the absolute reliability of these three statements,” Fisher proclaimed. “The deduction is:—‘drop a battleship out of the program’ (if it be necessary on account of financial necessities) but at any cost double the output of submarines.”¹⁸¹ This last statement of Fisher’s reveals his belief that the submarine could be put to good use by Britain as well as by her rivals. To be sure, Fisher was not the only British admiral who thought of exploiting the submarine’s potential; however, he was the first British admiral to suggest that the Royal Navy should rely upon the torpedo flotilla rather than the battle fleet as the main instrument of deterring an attack on the British Isles and, as First Sea Lord, he had the clout to put his ideas into practice. Fisher proposed organizing four “*défense mobile*” groups, each comprising one flotilla of twenty-four destroyers and one section of twelve submarines, to be stationed along England’s south coast.¹⁸²

The flotillas’ mission would be to intercept enemy merchantmen and commerce raiders in home waters, while the armored squadrons of battleships and battle cruisers would attack them on the high seas. The flotillas would also safeguard the British coast from maritime attack in the same way that rival flotillas undermined the Royal Navy’s use of close blockade.

SPEED AND INFORMATION

The 1904 fleet redistribution scheme saw the Royal Navy adopting a strategy that abandoned its forward presence posture comprised of a network of station fleets in favor of the battle cruiser concept, which reflected a strategy of speed and maneuver. The new strategy exploited advances in military-related technology, to include propulsion and communications (i.e., undersea telecommunications cables and wireless). The latter enabled the reorganization and expansion of the Admiralty’s information processing system.¹⁸³ This new communications network would enable the Admiralty to enjoy a situational awareness advantage over its rivals, giving the Royal Navy a much clearer picture of events in the far

¹⁸⁰ Ibid., p. 90. The Whitehead torpedo was the first self-propelled torpedo. The first practical torpedo was produced in 1867, the product of collaboration between an Austrian naval officer, Commander Giovanni Lupis, and Robert Whitehead, an English engineer. While the initial performance of the torpedoes was unimpressive, its implications were profound. The Royal Navy recognized its significance immediately and began ordering torpedoes in 1870. For a history of the torpedo, see Edwyn Gray, *The Devil’s Device* (Annapolis, MD: Naval Institute Press, 1975).

¹⁸¹ Lambert, *Fisher’s Revolution*, p. 90.

¹⁸² Ibid., p. 117.

¹⁸³ Lambert, “Dreadnought,” p. 16.

corners of the globe. Britain's strategy sought to leverage these major competitive advantages and implement Fisher's vision of fast battle cruisers and oil-powered warships that could quickly deploy to any threatened region.

LEVERAGING TECHNOLOGY I: THE SHIFT TO OIL

In 1908, as the so-called Dreadnought revolution was in full swing, a British destroyer, the *Swift*, began her sea trials. While the *Swift* was, in many ways, unremarkable, she did demonstrate one unusual attribute: the ship was powered by oil, not coal.¹⁸⁴ Over the next decade the Royal Navy, as part of its transformation, would move to supplant coal with oil to power its warships. That it accomplished this transition to a new power source in the midst of a much larger transformation effort marks it as a remarkable achievement, particularly when one considers that the shift from coal to oil represented a great strategic risk on the part of Great Britain, which had large coal reserves but no oil.

There were several reasons for the change to oil. The principal motivation lay in that oil provided more energy per unit relative to coal and thus enabled the warships that used it for motive power to travel both faster and farther, two key attributes for ships in Fisher's scheme. Oil had other advantages as well. It eliminated the need for coal stokers, thereby reducing manpower requirements. Oil-fired engines also produced less smoke, rendering ships stealthier than their coal-fired counterparts. Furthermore, oil was easier to transport, which enabled ships to refuel at sea rather than port coaling stations.¹⁸⁵

By 1911, three years after the *Swift's* sea trials, the Royal Navy had officially adopted oil to fuel submarines and destroyers. When the British War College was tasked with determining the speed required to out maneuver the German Fleet, the answer was 25 knots. This was at least four knots faster than possible using coal with existing engine designs. The default option was oil. In advocating transitioning to the construction of oil-powered capital ships, Winston Churchill, appointed First Lord of the Admiralty in 1911, observed:

The oil supplies of the world were in the hands of vast oil trusts under foreign control. To commit the Navy irrevocably to oil was indeed "to take arms against a sea of troubles." If we overcame the difficulties and surmounted the risks, we should be able to raise the whole power and efficiency of the Navy to a definitely higher level; better ships, better crews, higher economies, more intense forms of war power—in a word, mastery itself was the prize of the venture.¹⁸⁶

¹⁸⁴ Nicholas Lambert, "Economy or Empire: The Quest for Collective Security in the Pacific, 1909-1914," in Keith Neilson and Greg Kennedy, eds., *Far Flung Lines: Essays in Honour of Donald Mackenzie Shurman* (London: Frank Cass and Co. Limited, 1996), pp. 61-62.

¹⁸⁵ CDR Erik Dahl, "The Limits of Technological Innovation: The Change from Coal to Oil under Churchill" (Unpublished Paper, 2002), pp. 1-4.

¹⁸⁶ Dahl, "Limits of Innovation," p. 4.

To mitigate the risks of this strategic gamble, the British government acquired 51 percent of the Anglo-Persian oil company's stock, giving it two directors on the company's board, and negotiated a separate, secret contract that provided the Admiralty with a 20-year supply of oil under attractive terms.¹⁸⁷ By the time of the Great War, the Royal Navy would have oil-fired capital ships. The new fuel provided the fleet with the speed advantage Fisher sought over the German Navy, in part because the Kaiser's fleet proved far slower to adopt oil-fired propulsion than Fisher had feared.¹⁸⁸

LEVERAGING TECHNOLOGY II: THE IMPORTANCE OF WIRELESS

By the late nineteenth century, communications technology was undergoing a major transformation with the introduction of the wireless (i.e., radio). Prior to radio's development, information could only be moved at high speed through the use of a telegraph network. Absent such networks, however, information moved at the rate of the fastest ship, which is to say at a far slower pace. With the development of cable telegraphy, the Admiralty had the potential to transmit and receive information to overseas naval bases within minutes, so long as these bases were linked to a network.¹⁸⁹

At mid-decade, around the time the *Dreadnought* and battle cruiser *Invincible* were being launched, the Royal Navy was at work creating a network of wireless telegraphy stations atop Great Britain's existing cable network. Once linked to its well-established network of intelligence agents in major foreign ports, the Admiralty could leverage this information advantage to optimize the use of its warships, dispatching them to threatened areas more quickly than could its adversaries. Of course, the speed of the battle cruisers added to this great advantage to mass naval power at the decisive point.

As Fisher stated, "It was not generally realised how recent inventions had revolutionised naval warfare ... The need for the smaller class of cruisers was greatly diminished by the invention of wireless telegraphy."¹⁹⁰ Fisher therefore consciously sought to create what essentially amounted to a British monopoly

¹⁸⁷ Ibid., pp. 8-9. Government ownership of a private company was highly unusual, but was sanctioned in rare instances in order to secure a strategic advantage. For example, the British government had purchased shares in the strategically positioned Suez Canal in the mid-nineteenth century.

¹⁸⁸ It should be noted that Germany did not possess a reliable source of oil, an important factor that no doubt influenced fleet and ship design.

¹⁸⁹ Lambert, "Dreadnought," pp. 1-2.

¹⁹⁰ Lambert, "Economy or Empire," pp. 61-62.

in global communications for military advantage.¹⁹¹ If war came, Britain's enemies would find their information on events transpiring overseas both difficult to come by, and relatively slow to arrive.

Finally, and perhaps much less appreciated, the Admiralty's new communications network represented a critical element of the flotilla defense system (see below). Beginning with the inception of flotilla defense in 1907, the Royal Navy's torpedo-armed submarines and destroyers were never under the operational command of the Home Fleet, to which they were assigned. Rather, command and control was centralized, determined in London and sent to units via wireless. Individual units reported directly to the Admiralty, which then determined the appropriate course of action to be taken. This was a revolutionary departure from all previous practice with respect to fleet operations.¹⁹²

In summary, the development of a global communications network provided a much-needed level of comfort for senior decision makers in reducing Britain's naval forward presence (and hence the number of ships) in favor of one based on speed of warning and deployment.

Generating Efficiencies

NUCLEUS CREWS

The final elements in Fisher's scheme related to the redistribution of the fleet involved bringing the Reserve Fleet to war readiness by manning the most useful ships in that fleet with nucleus crews, or 40 percent of their wartime strength, both in officers and men. Nucleus crews amounted to a full crew less the unskilled sailors (e.g., stokers, ammunition handlers). Nucleus crews could drill normally and periodically take their ship to sea for gunnery and tactical exercises. This enabled Fisher to maintain these ships at a high readiness and at a fraction of the financial and manpower costs.¹⁹³ Fisher described his nucleus crew system as "the keystone of our preparedness for war." The whole fleet, he said, was now "instantly ready ... Suddenness is now the characteristic feature of sea fighting!"¹⁹⁴ In announcing the nucleus crew initiative to the Cabinet, Selborne mentioned in passing that to free the needed manpower "a certain number of ships of comparatively small fighting value have or will be withdrawn from commission."¹⁹⁵

The development of a global communications network provided a much-needed level of comfort for senior decision makers in reducing Britain's naval forward presence in favor of one based on speed of warning and deployment.

¹⁹¹ British cable companies carried about 80 percent of cable traffic outside of Europe at this time Lambert, *Dreadnought*, p. 11; and Nicholas Lambert, "Strategic Command and Control for Maneuver Warfare: Creation of the Royal Navy's 'War Room' System, 1905-1915," *The Journal of Military History*, 69, No. 2, April 2005, p. 372.

¹⁹² Lambert, *Dreadnought*, pp. 18-19.

¹⁹³ Lambert, *Fisher's Revolution*, p. 100.

¹⁹⁴ Massie, *Dreadnought*, p. 465.

¹⁹⁵ Lambert, *Fisher's Revolution*, p. 100

Left unsaid was that this amounted to over 150 ships, at a savings of nearly 1,000 officers and 11,000 sailors.¹⁹⁶ To Fisher, who described the ships as “too weak to fight and too slow to run away,” they mattered not.¹⁹⁷

THE HALDANE REFORMS

The need to rethink military requirements in the face of Britain’s eroding financial position extended beyond simply diplomacy and the Royal Navy, to include the British Army. Just as Admiral Fisher promised that his scheme for transforming the fleet could realize significant economies, so too did Richard Haldane, appointed the country’s war secretary following the Liberal Party’s victory in 1906, pledge to achieve savings in the army’s budget.

Haldane’s efforts were also shaped by strategic requirements. In 1906, the British began conducting secret military staff talks with the French with an eye toward possible cooperation in the event of a war on the Continent. Not surprisingly, given the character of these secret talks, the so-called Haldane Reforms focused on creating a British Expeditionary Force (BEF) capable of engaging in a major war. This force of 160,000 troops organized in six divisions would be prepared to deploy quickly in the event of war. The army’s reserves were also restructured and expanded to ensure that the overseas forces could be efficiently reinforced and supplied with new recruits. To address the homeland defense mission, Britain’s Militia was reformed into the Special Reserve and the Volunteer Force, and the Yeomanry was reorganized into a new Territorial Force.¹⁹⁸

Perhaps most important, Haldane claimed his reorganization would save the treasury £2-3 million, or roughly \$8 million in current or “then-year” funds.¹⁹⁹ Simply put, Haldane’s reforms were shaped not only by the country’s security requirements but also by budget estimates.²⁰⁰

The reforms paid off in the summer of 1914 with the outbreak of World War I. Four divisions of the British Expeditionary Force were quickly deployed to

¹⁹⁶ Ibid., p. 112.

¹⁹⁷ Massie, *Dreadnought*, p. 463.

¹⁹⁸ The new Territorial Force would comprise fourteen infantry divisions and an equal number of cavalry brigades and associated support units. Members of the Special Reserve would be available for service in the Regular Army in the event of an emergency. “Great Reforms in British Army,” *New York Times*, February 26, 1907, available at <http://query.nytimes.com/mem/archive-free/pdf?res=F70D1EFF395A15738DDDAFoA94DA405B878CF1D3>, accessed on February 23, 2012.

¹⁹⁹ A sum of £3 million in 1906 is the equivalent of £1.01 billion in current (2010) value. See “Purchasing Power of British Pounds from 1245 to Present,” available at http://www.measuringworth.com/ppoweruk/result.php?use%5B%5D=CPI&use%5B%5D=NOMINALEARN&year_early=1906£71=3000000&shilling71=&pence71=&amount=3000000&year_source=1906&year_result=2010, accessed on February 25, 2012.

²⁰⁰ Edward Spiers, “Learning from Haldane,” *Royal United Services Institute*, available at <http://www.rusi.org/analysis/commentary/ref:C4C6D17CAE6E13/>, accessed on February 20, 2012. Haldane’s objective was to cut the Army’s budget by roughly £2 million, from £29,813,000 to £28,000,000.

France where they played an important role in stopping the German Army's opening offensive.²⁰¹

TIME AS A WEAPON: EXPLOITING THE DEFENSE INDUSTRIAL BASE

When Admiral Fisher assumed his post as First Sea Lord, Britain possessed the largest, best-equipped, and most technically advanced warship building industry in the world. Fisher was determined to exploit this advantage, and referred to his approach as “plunging.” This procurement strategy, along with the development of the battle cruiser and flotilla defense, comprised the three central elements of Fisher's maritime strategy. An essential element of the plunging strategy rested on Britain's ability to build a new generation (or class) of ships significantly faster than any of its rivals. In an era where naval warfare technology was advancing rapidly, this promised to confer an important competitive advantage on the Royal Navy. Fisher wanted to do more than react to the competition. He was determined to set its pace and, if possible, its direction.

Building the first modern battleship, the *Dreadnought*, was Fisher's test case. He wanted to build the ship in half the time it typically took to construct a battleship, exploiting Britain's comparative advantage in rapid construction “to the utmost.”²⁰² Through reforming labor practices in the dockyards and ordering critical path components, such as big-gun mountings and turbine engines²⁰³ several months before placing the contract for the hull, construction time was dramatically reduced. The keel plates for the *Dreadnought* were laid on October 2, 1905, and she was launched on February 10, 1906. A year and a day after her start, the *Dreadnought* began her sea trials. Fisher had cut the normal building time for a battleship—in this case, a radically different and far more powerful battleship—by more than half.²⁰⁴

Fisher's exploitation of time created two distinct advantages. First, it gave the Royal Navy sole possession of a revolutionary new type of capital ship in the near term. Second, it disrupted the planning efforts of Britain's principal naval rivals, Germany in particular. The appearance of the *Dreadnought* tossed German ship-building plans into utter disarray.

As the *Dreadnought* was emerging from the drawing board, Germany was launching the *Deutschland*, the first of five planned German battleships. Although “new,” these ships were inferior to some of the Royal Navy's pre-dreadnought battleships. To follow the *Deutschland* class, the Imperial German Navy planned

An essential element of the plunging strategy rested on Britain's ability to build a new generation (or class) of ships significantly faster than any of its rivals.

²⁰¹ The BEF played a significant role in the critical Battle of the Marne in September 1914 and in stabilizing the Western Front during the subsequent bloody “Race to the Sea” in October and November 1914.

²⁰² Lambert, *Fisher's Revolution*, p. 146.

²⁰³ Turbine engines were more efficient and provided far better performance than the reciprocating engines with which most major warships of the period were equipped.

²⁰⁴ Padfield, *Battleship*, p. 189.

to build two larger ships that, while superior to earlier classes of British battleships, were outmatched by the *Dreadnought*.

Compounding Germany's problems was the Kiel Canal, which provided the Kaiser's fleet with a shortcut between the North Sea and the Baltic Sea. If Germany wanted to build ships the size of the *Dreadnought*, the canal would have to be enlarged. This would require years of construction and enormous expense. When news of the *Dreadnought* was revealed, "something close to panic ensued" in German military circles.²⁰⁵

Fisher's plunging strategy was a "cost-imposing strategy" in that it exploited time, technology, and geography to impose far greater costs on Britain's rival than it cost the Admiralty. An enduring source of German competitive weakness—the limitations imposed on ship design by the Kiel Canal—was leveraged to impose substantial cost penalties should Germany decide to meet the British initiative. Fisher's gambit also imposed a penalty in terms of time. By moving the naval competition in a dramatic new direction, Fisher cost the Imperial German Navy roughly a year's time as it was forced to reassess its building plans at a substantial cost in time and resources.²⁰⁶

To Fisher, plunging to disrupt the naval plans of his rivals was not intended to be a one-time affair, but an ongoing practice. For example, Fisher also hoped that the revolutionary new class of battle cruisers that would follow the *Dreadnought* would once again toss his adversaries' shipbuilding plans into disarray.²⁰⁷

As he wrote to an associate in 1909,

Do you know that the ships [battle cruisers] we have just laid down are as far beyond the *Dreadnought* as the *Dreadnought* was beyond all before her! And they will say again, D---n that blackguard [i.e., Fisher]! Again a new era of *Dreadnoughts*! But imagine the German "wake-up" when these new ships [i.e., battle cruisers] by and by burst on them!²⁰⁸

²⁰⁵ Massie, *Dreadnought*, p. 485; and Holger H. Herwig, "German Reaction to the *Dreadnought* Revolution," *The International History Review*, 13, No. 2, May 1991, pp. 277, 279-80.

²⁰⁶ Massie, *Dreadnought*, p. 486; and Herwig, "German Reaction," p. 278.

²⁰⁷ Interestingly, the *Dreadnought* was the only ship in its class, reflecting the fact that Admiral Fisher's primary purpose for constructing the ship was to wreck the shipbuilding plans of Britain's rivals. His true priority was to emphasize fast battle cruiser and submarine production.

²⁰⁸ Jon Tetsuro Sumida, "British Capital Ship Design and Fire Control in the *Dreadnought* Era: Sir John Fisher, Arthur Hungerford Pollen, and the Battle Cruiser," *The Journal of Modern History*, 51, No. 2, June 1979, p. 221.

Later, Fisher would summarize his thinking on plunging to Winston Churchill, who assumed the position of First Lord of the Admiralty in 1911, shortly after Fisher retired from the Navy:

[P]ut off to the very last hour the ship (big or little) *that you mean to build* (or perhaps not build her at all!). You see all your rival's plans fully developed, their vessels started beyond recall, and then in each individual answer to each such rival vessel you *PLUNGE* with a design 50 per cent. better! knowing that your rapid shipbuilding and command of money will enable you to have your vessel fit to fight as soon if not sooner than the rival vessel.²⁰⁹

Summary

Great Britain's strategy to address the challenge of preserving its position as a global power in the face of relative economic decline proved successful. Success here is measured in terms of being able to achieve the objective in the face of growing challenges and relatively diminishing resources.

To bridge the gap between the ends Britain sought to achieve and the declining means at its disposal, the country undertook a dramatic shift in strategy. First and foremost, diplomacy deflected the threat posed by rising powers in North America and East Asia. Britain was then able to organize its traditional rivals—France and Russia—into what became a coalition to meet the rising danger posed by Germany. In this manner Britain was able to outsource a significant amount of its security responsibilities, although not without incurring some significant risk, especially with respect to Japan and Russia.

The British Army and Royal Navy sought to reduce the ends-means gap further by introducing efficiencies. In the former's case, this was accomplished through the Haldane Reforms. With respect to the Royal Navy, Britain's diplomacy, combined with leveraging new technologies to gain both substantial operational and cost efficiencies as well as far more capable forces, enabled it to greatly reduce its active patrolling of the empire's remote corners and concentrate its power at the decisive point: Europe. All this was achieved while substantially reducing the number of ships in the fleet and the growth in manpower costs. The Royal Navy also exploited time as a weapon, using it as a way to drive up its rivals' costs thereby reducing the gap between the resources available to Britain and her rivals.

Strategy is about taking risks and deciding what will not be done as well as what will. British leaders proved up to the task of making these difficult choices, to include ceding its interests in the Western Hemisphere to its American "cousins," relying on Japan to be a good ally in the Pacific, and increasingly depending on France to patrol the Mediterranean Sea lifeline to India, all to enable the Royal

Strategy is about taking risks and deciding what will not be done as well as what will. British leaders proved up to the task of making these difficult choices

²⁰⁹ Lambert, *Fisher's Revolution*, p. 246. Emphasis as in the original.

Navy to be strong at the decisive point: in the North Sea opposite Germany's High Seas Fleet.

Was the British strategy without its flaws? Of course not; no strategy is perfect. The rise of the threat from Germany found British spending on the rise once again in the years leading up to World War I. In that war, problems emerged with the Royal Navy's battle cruisers. Fisher's flotilla defense was never fully implemented, nor was his desire to reduce substantially the priority accorded to battleship construction. The fleet also proved unprepared to deal with the German submarine threat to commerce. As for the British Army, it proved far too small for the task of defeating Germany's land forces, even with the large French and Russian armies on its side, and had to be greatly expanded.

That said, Great Britain did prevail in the war, thanks in no small measure to the allies and partners she cultivated prior to the conflict as well as her highly capable (albeit small) army and pre-eminent Royal Navy. The cost of victory was high. Britain emerged from the war crippled by debt and bearing the deep psychological scars of the massive casualties suffered on the Western Front. Still, victory in the war enabled a diminished Britain to maintain its empire and the balance of power in Europe until, twenty years later, the price of victory in a second global war exhausted both its capacity and its will to sustain itself as a global power.

CHAPTER 5 > CONCLUSION

ANDREW F. KREPINEVICH

What insights might be drawn from these two case studies that would be of use to those currently struggling to reduce the gap between the United States' security goals, the growing challenges to them, and the diminishing resources available for Defense Department planners to employ? At the beginning of this report several options were identified that might help close the gap, none of which excludes pursuing any or all of the others. Two case studies showed how the dominant powers of their time, the United States and Great Britain, employed these options to a greater or lesser extent. The following discussion suggests some links, or "lessons learned," between their experience and the challenges confronting U.S. policymakers today.

Allocating More Resources to Defense

Despite its commitment to increase spending on social welfare and to reduce spending on the military, Great Britain found itself increasing its defense funding beginning in 1909, after six years of decline. In part, the decline in spending on defense was enabled by the end of the Boer War. This is similar to the U.S. experience today, where the United States has withdrawn from Iraq and plans to withdraw from Afghanistan in the near future. But Britain's cuts continued long past the Boer War's end, until the growing threat from Germany triggered the rise in British defense spending.

Similarly, the U.S. drawdown from South Vietnam that began in 1969 helped reduce defense spending. But budget cuts continued into the late 1970s, long after American forces had departed that country. As in the British case, a growing threat—in this case the Soviet Union—compelled both the Carter and then Reagan administrations to reverse the decline in defense spending.

Being on a solid economic footing was a prerequisite for being able to reverse course on defense spending. Today this places a premium on the United States getting its economic house in order.

In both instances, the leadership of Great Britain and the United States, regardless of political party, maintained a sufficiently strong financial foundation to enable a surge in defense spending when it became necessary. Simply stated, being on a solid economic footing was a prerequisite for being able to reverse course on defense spending. Today this places a premium on the United States getting its economic house in order. Thus far, the Obama administration has avoided addressing large, rapidly growing entitlements programs while looking to protect spending on discretionary domestic programs, while the Republican opposition has strongly resisted raising taxes to fund expanding government programs and benefits. As noted in the introduction to this report, defense cannot be the only “bill payer” when it comes to straightening out the country’s financial problems. Indeed, were the entire defense budget somehow eliminated, it would not be sufficient to cover even the projected *interest* on the country’s debt projected for later this decade, let alone reduce the principal.

Addressing this problem is fundamental to the United States’ long-term security. As President Eisenhower declared, “our system must remain solvent, as we attempt a solution of this great problem of security. Else we have lost the battle from within that we are trying to win from without.”²¹⁰

Employing Defense Resources More Efficiently

Our two case studies find the British succeeding far better than the Americans in wringing out efficiencies in the defense structure. The U.S. drawdown from the Vietnam War led to declines in force readiness that by the late 1970s led to charges that the country had a “hollow military.” Great Britain, on the other hand, implemented the Haldane Reforms and Fisher’s “scheme” to realize substantial savings.

Haldane combined the lessons learned from the Boer War and the initiation of staff talks with the French to reshape the British Army as a true rapid expeditionary force capable of fighting a major war on the Continent, while also reforming the country’s reserve forces. The payoff was realized not only in substantial savings in the budget, but more importantly through the BEF’s key role in the early days of fighting on the Western Front in World War I.

Fisher’s “scheme” to reposition the fleet, shift to new (and more relevant) types of warships, and create nucleus crews enabled the Royal Navy to retire over 150 ships while enhancing its fighting strength, all at a reduced cost. To be sure, the

²¹⁰ Quoted in Robert R. Bowie and Richard H. Immerman, *Waging Peace: How Eisenhower Shaped and Enduring Cold War Strategy* (Oxford: Oxford University Press, 2000), p. 96. Eisenhower echoed the words of Walter Lippmann who declared “Foreign policy consists in bringing into balance, with a comfortable surplus of power in reserve, the nation’s commitments and the nation’s power.” Quoted in Samuel Huntington, “Coping with the Lippmann Gap,” *Foreign Affairs*, 66, No. 3, 1987/1988, p. 453.

rapid growth of the German High Seas Fleet required a greater British naval effort beginning in 1909; however, the cost would have been higher still without Fisher's reforms.

The same praise cannot be accorded to the Americans. In part, this owes to the United States' transition to an all-volunteer force from a conscripted force. Recruiting and retaining volunteers proved a far more expensive proposition than drafting conscripts. While the United States was able to reduce force structure following the Vietnam War and reap the savings through large cuts in defense expenditures, it failed to square the circle by doing so in a way that preserved crucial military capability. Simply put, it tried to field a volunteer military with inadequate compensation rates. This, combined with cuts in the operations and maintenance budgets, failed to achieve the readiness levels associated with a highly capable force.

At present, the United States seems to be on the path it followed in the 1970s. In 2011, Defense Secretary Gates announced that the Pentagon would achieve \$154 billion in savings over the next five years.²¹¹ Later that year, newly incumbent Defense Secretary Panetta stated the Department would realize an additional \$60 billion savings in five years.²¹² Historically such impressive declared savings initiatives have realized only a small fraction of what they project.²¹³ The result is greater inefficiency as a new round of unplanned for budget cuts must be enacted.

Enhancing Force Effectiveness

In the first decade of the twentieth century, Great Britain encountered not only growing financial pressures, but rapid advances in military-related technologies, including those related to submarines and torpedoes, long-distance communications (i.e., wireless and undersea telegraph cables), propulsion (e.g., oil-fired engines and turbine engines), and firepower (e.g., all big-gun warships), among others. While these new technologies generally made for more expensive weapon systems, the great increases in operational effectiveness the systems themselves offered far outweighed the increased cost to field them. The Royal Navy exploited these advances through Fisher's scheme of a new kind of fleet with greater

²¹¹ Jim Garamone, "Gates Reveals Budget Efficiencies, Reinvestment Possibilities," *American Forces Press Service*, January 6, 2011, available at <http://www.defense.gov/news/newsarticle.aspx?id=62351>, accessed on February 27, 2012.

²¹² Marcus Weisgerber, "Panetta Directs No. 2 To Seek New Efficiencies," *Defense News*, October 19, 2011, available at <http://www.defensenews.com/article/20111019/DEFSECT05/110190315/Panetta-Directs-No-2-Seek-New-Efficiencies>, accessed on February 28, 2012.

²¹³ For an overview of DoD's difficulty in achieving efficiencies, see Robert F. Hale, *Promoting Efficiency in the Department of Defense: Keep Trying, But Be Realistic* (Washington, D.C.: Center for Strategic and Budgetary Assessments, 2002).

emphasis on battle cruisers and submarines, retiring large numbers of older ships (those that “could not fight or run away,”) while relying on speed, endurance, and modern communications to substitute for forward presence. The result was not simply a more efficient navy, but a navy that proved far more effective in meeting the demands of a changing security environment.

The same can be said regarding advances in military technology in the 1970s. Like Britain, the United States proved willing and able to protect its military “seed corn” in the form of investments in science and technology and programs that over time yielded substantial improvements in military effectiveness. Perhaps the best-known efforts in this area were those associated with the development of stealth aircraft and precision-guided munitions. These technologies represented a major leap forward in military capability, one that the Soviet Union could neither match nor offset at any reasonable cost (an advantage that will be elaborated upon below). The United States also kept its lead in other key areas of the military competition, including undersea warfare with the *Los Angeles*-class of nuclear-powered, attack submarines, long-range strike with the B-1 and B-2 bomber programs, and armored warfare with the Abrams main battle tank.

Today, military-related technology is also advancing at a remarkable rate. It is far from clear, however, that the United States will be able to exploit its potential. Major investments in programs like the Army’s Future Combat Systems, the Navy’s new destroyer (DDG-1000) and cruiser (CG-X), the Marine Corps Expeditionary Fighting Vehicle, and the Air Force’s Airborne Laser have either been cancelled or severely truncated. To be sure, modest advances have been made in unmanned systems and cyber weapons. Yet it remains to be seen whether the Defense Department can follow the path of the defense establishments in our two case studies and field advanced, relevant systems in sufficient numbers and in a timely manner so as to enable needed improvements in force effectiveness that can, at least partially, offset the consequences of significant budget reductions.

Outsourcing to Allies and Partners

In both case studies, the dominant powers sought to enlist allies and partners to bridge the gap between their ambitions and the resources available to meet them. The results were impressive, if not uniformly advantageous or devoid of risk.

Great Britain’s diplomacy rearranged the alignment of the great powers in the span of a decade. France and Russia—the Dual Alliance—went from long-standing British rivals to partners. In France’s case, the relationship proved enduring. Similarly, Whitehall offered concessions to the United States and an alliance with Japan, both of which were accepted, with the former set on the path to a durable “special relationship” with Great Britain. Over time, both Japan and Russia (i.e., the Soviet Union) would become Britain’s enemies. Yet, the relationships proved

sufficiently enduring to allow the British to address the challenge posed by the wolf at the door, Germany.

The United States case shows a similar effort on the part of President Nixon, whose opening to China and efforts to provide indirect support to key regional partners proved both audacious and, in China's case, remarkably successful in countering the Soviet threat. The Nixon Doctrine in Vietnam was far less successful, as South Vietnam proved unable to withstand North Vietnam's invasion after the withdrawal of U.S. support. A somewhat similar fate befell the Shah of Iran, America's "policeman" in the Persian Gulf. In 1979 the Shah's regime collapsed in the face of an Islamic fundamentalist revolution. On balance, however, Nixon's triangular diplomacy led to China's shift from a long-standing rival to an informal partner of the United States against the Soviet Union, representing a significant and favorable shift in the balance of power.

Current U.S. strategic guidance calls for the United States to enhance its portfolio of allies and partners, with particular emphasis accorded to its relationship with India. It is too soon to judge how well Washington's efforts will succeed. Given the major benefits realized by the two subjects of our case studies, however, such an initiative is clearly worth the effort.

Increasing Risk and Divesting Commitments

Both Great Britain and the United States accepted increased risk to their security as a necessary consequence of an environment in which the challenges to their security were growing while the resources available to meet them were diminishing. Whitehall clearly took on risk as a consequence of its diplomatic maneuverings. Would the United States respond to British efforts at accommodation? Would Japan take advantage of Russia's defeat and Britain's drawdown of forces in the Far East? Could France be trusted to respect British interests in the Mediterranean while the Royal Navy shifted warships from Malta to oppose the High Seas Fleet in the North Sea? How long would it be before Russia once again began to apply pressure toward India?

The United States took similar risks in relying more on other states to help provide for its security. China was hardly a natural U.S. ally and, as history shows, the relationship was more one of convenience than based on enduring common values. Similarly, there were no strong common bonds between the United States and South Vietnam or Iran, and thus little willingness on the part of the former to come to the rescue of the latter two. The risks here were borne out when both countries fell by decade's end to enemies of the United States.

Great Britain and the United States also took on risk in organizing and developing their military forces. The Royal Navy's willingness to adopt a radical shift in battleship design in the form of the *Dreadnought* required it to gamble on the

Current U.S. strategic guidance calls for the United States to enhance its portfolio of allies and partners. It is too soon to judge how well Washington's efforts will succeed.

ability of all big-gun ships to hit distant targets²¹⁴ and on the success of relatively new turbine engines to displace reciprocating engines. Other risky “big bets” were made in shifting the fleet to oil propulsion, sacrificing armor protection for speed and firepower in the battle cruisers, and adopting flotilla defense as a key element in defending Britain’s homeland.

The Defense Department undertook similar risks, particularly in the area of stealth aircraft and precision-guided munitions. Capabilities like these were expensive and it was hardly a sure thing that they would perform “as advertised,” or anywhere close.²¹⁵

Fortunately for both the British and the Americans, these gambles on new kinds of military capabilities paid off far more than they failed. As noted above, this has not been the case with respect to many recent U.S. military programs, many of which have been cancelled or production truncated after an expenditure of tens of billion of dollars. The good news, one supposes, is that, with so much room for improvement, the U.S. Defense Department can realize far greater benefits in this area of the competition than has recently been the case.

Cost-Imposing and Time-Based Competition

Time can be a weapon, and new capabilities can be thought of not only in terms of how much they cost those fielding them, but also what kinds of costs they will impose on a rival intent on offsetting them. Both the British and the Americans proved fairly adept at cost-imposition, while the former appears to have competed both more consciously and more effectively based on time.

The reader will recall that Fisher’s plunging strategy explicitly sought to leverage the British maritime industrial base’s ability to produce ships of high quality and to do so quickly. This, along with the burst in advancing military-related technologies enabled Fisher to take the lead in pursuing a strategy designed to wreck the German Navy’s shipbuilding plans by shifting production from traditional battleships, to all big-gun modern *Dreadnought* battleships, and then to battle cruisers. Somewhat serendipitously, the construction of these larger ships also compelled the Germans to expend large sums to expand the Kiel Canal if they wanted to compete in building these new ship forms while also retaining mobility between the Baltic and North Seas.

²¹⁴ The adoption of all big-gun ships that could outrange the guns of an enemy fleet implied that those doing so could spot and effectively engage the enemy at very long range. This was hardly a certainty. For a discussion of the range-finding problem, see John Tetsuro Sumida, *In Defence of Naval Supremacy* (Boston: Unwin Hyman, 1989). Sumida’s book chronicles the Royal Navy’s struggle with this challenge, and its failure to adopt a superior system, the Pollen range-finding system.

²¹⁵ See, for example, James Fallows, *National Defense* (New York: Vintage Books, 1981), pp. 35-75.

Similarly, the groundwork put in place by U.S. investments in stealth aircraft as well as bomber aircraft in the 1970s meant that if the Soviet Union was going to continue its near-obsession with guarding its airspace from any intruder, it was going to have to pay a substantially higher price. American stealth aircraft would require far greater numbers of Soviet air defense units in order to maintain the level of effectiveness it had achieved against non-stealthy aircraft. Given the length of the Soviet Union's border, the longest in the world at over 12,000 miles, maintaining the required density of air defense systems over that distance would impose enormous costs on the Soviet military budget.

If the United States is pursuing cost-imposing strategies at present, the Obama administration is not saying so. There is no mention of such strategies in the January 2012 planning guidance.²¹⁶ That said, this does not necessarily mean the U.S. Defense Department is not pursuing such strategies; Fisher did not inform the Germans of the details of his plunging strategy, nor did the Americans tip their hand regarding stealth aircraft to the Soviets.

Negotiating with the Principal Rival

Great Britain did not engage in any substantial arms control negotiations with its rivals during this period.²¹⁷ The United States, on the other hand, entered into several major agreements with its rival, the Soviet Union, for the purpose of improving its competitive position, easing the financial burden on its defense effort, and reducing the risks to its security.

The two major treaties—the Strategic Arms Limitation Treaty (SALT) and the Anti-Ballistic Missile (ABM) Treaty—were intended to herald a new period of superpower détente. As noted earlier, these agreements did not eliminate the competition between the two rivals, nor moderate it to any great extent. While the United States hoped that the treaties would constrain Soviet efforts in nuclear armaments, this failed to occur. Détente itself proved short-lived. By the end of the 1970s, following the Soviet invasion of Afghanistan, the Cold War entered one of its most tense periods.

In attempting to exploit the potential for negotiated agreements between rivals to reduce tensions and, hopefully, defense resource requirements, the United States last year entered into the New START (Strategic Arms Reduction Treaty)

If the United States is pursuing cost-imposing strategies at present, the Obama administration is not saying so.

²¹⁶ Department of Defense, "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," Washington, D.C., January 2012, available at http://www.defense.gov/news/Defense_Strategic_Guidance.pdf, accessed on February 25, 2012.

²¹⁷ Britain did, along with a number of other countries, participate in several conferences at the Hague in 1899 and 1907 whose purpose was to define the rules of war and establish a Permanent Court of Arbitration. There was a failed effort at an Anglo-German Naval Limitation Agreement in 1909. The net effect of this early failed effort at arms control was actually to increase the suspicion and hostility on both sides of the Anglo-German antagonism. See Massie, *Dreadnought*, pp. 707-11

The United States at present generally has not undertaken the kind of initiatives pursued in the two case studies presented in this report.

agreement with Russia. While the treaty does lower the nuclear forces permitted for both signatories, it does little if anything to address the challenges posed to U.S. security from other nuclear powers, both existing (e.g., China, North Korea, Pakistan) or prospective (e.g., Iran). Moreover, there is reason to believe that Russia's nuclear forces would have continued to decline in size irrespective of whether or not New START had been negotiated.²¹⁸

Final Thoughts

The above discussion suggests the United States at present generally has not undertaken the kind of initiatives pursued in the two case studies presented in this report. To the extent it has, the efforts have been comparatively meager, as are the prospects for making substantial progress in bringing the country's security objectives in line with the resources likely to be made available for achieving them.

On a more positive note, it is important to realize that the United States is just now beginning to come to grips with the problem. Whereas the case studies examined the results of the efforts undertaken by Great Britain in the early 20th century and the United States in the late 1960s and through the 1970s, the United States today is at the *beginning* of an era of austerity. The story of how well, or poorly, it responds to the challenge of addressing growing security challenges with declining resources has yet to be written. This report is an attempt to inform this response with the goal of improving the odds of its success.

²¹⁸ Pavel Podvig, "Russian Nuclear Forces in Ten Years With and Without START II," PONARS Policy Memo 92, Moscow Institute of Physics and Technology, October 1999, p. 1.

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