

# The Will and the Wallet

Budget Insights for Foreign Affairs and Defense Policy

## Naval protection of peacetime commerce: An attempted but failed subsidy

Posted on October 5, 2010 by *Guest Blogger*

0

By Benjamin Friedman

*Benjamin Friedman is research fellow in defense and homeland security studies at the [Cato Institute](#).*



The Cato Policy Analysis that I recently completed with my colleague Christopher Preble, [Budgetary Savings from Military Restraint](#), has enough detail about cutting the defense budget to bore most casual readers to tears. (Risa Trump [wrote](#) about it here anyway) But the description of the non-interventionist\* strategy that underlies the cuts is full of ideas and statements that may stir more people's interest or ire.

One such statement is that, "despite its popularity, there is scant evidence for the claim that international commerce requires American military hegemony."

That claim comes as part of an argument about why we can have a smaller Navy—we recommend going from eleven to eight carrier groups and from ten to six expeditionary strike groups, for starters. These reductions in force structure would allow roughly proportional reductions in the number of ships (including submarines) and aircraft that the Navy operates, which would in turn allow reductions in personnel and operational costs.

Our fantasy Navy would do much of what the real one does. In a big war or a couple simultaneous small ones, it could strike most parts of the earth with missiles and weapons fired from aircraft flown off carrier decks or attack coasts with guns, helicopters and the Marines they carry. It would reliably deliver men and material to wars and protect sea-lanes during them. It would provide missile defense and humanitarian relief capability and patrol a nuclear weapons arsenal for deterrence.

The difference is that our Navy would have fewer wars to go to, and it would not be justified by the idea that it protects global commerce in peacetime. Thus, it would not visit far-off waters simply to be there. We estimate that those differences would allow the Navy to shrink by roughly one third.

I use the word "justified" deliberately. The idea that the presence of our ships in remote waters either calms rivals from fighting wars that massively disrupt our trade or allows shipment to come from those areas is more a justification for force structure than its cause. It has gained popularity as rivals declined and Navy boosters needed new notions to preserve the fleet.

Upon reflection, the word "scant" in our quote above is a bit strong. The evidence is a long-running correlation. Since World War II, U.S. naval hegemony has coincided with explosive growth in sea-borne trade. So it's easy to see how people assume causation. I find the causal logic unconvincing. It overstates the U.S. military's contribution to stability and trade and the trouble the instability causes us.

We do not really defend trade now. Military escorts protect a tiny minority of shipments—of oil or anything else. Because that is undeniable, navalists wind up arguing that what matters is the ability defend the shipments, which deters everyone from molesting them or building capability to do so. But that argument gives the game away. Our Navy would still do all that. You don't need to do it in good times to do it in bad times.

What happens the day after we quit doing presence missions in peacetime? Who interrupts shipments? Would Iran start charging tolls at the Strait of Hormuz or China in the South China Sea? I say no because they know that we can force access and because there are plenty of ways to retaliate, including cutting off shipments to those countries. If you think that sounds cavalier, note that it's basically same deal today.

*Blog at [WordPress.com](#)*

*Theme: Inuit Types by [BizzArtic](#).*

A more plausible claim is that some states would increase naval spending to police their own shipping. That seems like a good thing. Sometimes people say that such burden-sharing could set off a naval arms race that causes a war, say between India and China. I suppose that is possible, but naval arms races have caused few if any wars.

And even if we assume that malfeasants would disrupt shipments without U.S. naval protection or that its absence would cause instability that screws up our trade, the likely result is market adjustment, not market failure. When a supply source is disrupted, generally another supplier takes over and prices adjust. That is particularly true as globalization links markets and increases supply options. It is when you have only one potential supplier that you really need to police delivery.

If you believe that naval presence protects peacetime shipments, you could argue that presence is distorting price signals by shifting a portion of the good's cost to federal taxes funding the mission. Because I don't believe that we are propping up prices in most cases, I say presence missions are basically an attempted but failed subsidy to consumption of goods, including oil.

Oil is a special case because price shocks caused by supply disruption have in the past caused recessions. However, economists [argue that](#) the conditions that allowed that problem have changed. One change is the reduced burden energy costs now impose on U.S. household income. Others [disagree](#), but if they are right, that is why we have public and private reserves.

The case for global naval presence requires us to believe that global markets are brittle. We think they are more robust and flexible. For more on this view, I recommend [these three papers](#) by Eugene Gholz and Daryl Press.

\*I accept the label non-interventionist in the same way that Walter Lippmann [accepted](#) being called a neo-isolationist: "Compared to the people that thought they could run the world, I am a neo-isolationist and proud of it."

Ads by Google

### F136 JSF Engine

Competition works for America's taxpayers and national security.

[www.F136.com](http://www.F136.com)

Tagged: [defense spending](#), [CATO Institute](#), [Budgetary Savings From Military Restraint](#), [U.S. Navy costs](#)

Posted in: [Analysis](#)

← [Budget is Policy: Integrating National Security Spending](#)

[Mullen debates himself about Afghanistan strategy](#) →

## Be the first to start a conversation

### Leave a Reply

Your email address will not be published. Required fields are marked \*

Name \*

Email \*

Website

Comment

You may use these HTML tags and attributes: [a href="" title=""](#) [abbr title=""](#) [acronym title=""](#) [b](#) [blockquote cite=""](#) [cite](#) [code](#) [pre](#) [del](#) [datetime=""](#) [em](#) [i](#) [q cite=""](#) [strike](#) [strong](#)

Notify me of follow-up comments via email.

Subscribe to this site by email