

Panel Summary: The Impact of Austerity on U.S. Grand Strategy

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The following represents a summary of a panel discussion on future directions of U.S. grand strategy which took place on October 13, 2010 as part of the day-long conference Cutting the Fuse: Moving Beyond the War on Terror co-sponsored by the [Chicago Project on Security and Terrorism](#) (CPOST) and the [New America Foundation](#). This summary was produced by Christopher Preble of the Cato Institute, who moderated the panel, and Keven Ruby of CPOST, the panel rapporteur. The discussion took place under [Chatham House rule](#), meaning that the insights contributed by panelists and captured in the summary are unattributed.

The panel on Austerity and U.S. Grand Strategy assessed the challenges and opportunities facing U.S. grand strategy under the assumption that current economic conditions, and long-term fiscal imbalance, will impose increasing constraints on the size, structure, and deployment of the American military. The actual impact of these constraints, however, is still unclear. On the one hand, these pressures might force a reappraisal of U.S. grand strategy, and a realignment of strategic ends and military and fiscal means. On the other hand, the looming resource crunch might precipitate a new effort to mobilize resources and public will in support of the existing strategy. Either course is possible. It seems unlikely, however, that inertia alone will sustain the current strategy.

For some time, preponderant U.S. military and economic power has allowed policy makers to evade difficult choices. Since the end of the Cold War, the United States has maintained a posture of global primacy, been the leading provider of global public goods such as security, and has also served important economic functions, as the lender of last resort, and the world's leading market. The dollar remains the de facto global currency.

The goal of the two-hour discussion was not to reach a consensus on the best way forward; instead, the panel was designed to foster an open discussion of core national security interests, the strategic options available for pursuing those interests, and the impact of current and future constraints on these options. The panel reflected a wide range of interests and perspectives and included current and former members from the U.S. military, the diplomatic service, academia, and think tanks.

There were four major areas of discussion: (1) austerity; or, to be more precise, clarifying the

impact of resource constraints on U.S. foreign policy; (2) defining core strategic interests and prioritizing threats; (3) identifying strategies for securing interests; and (4) the challenges facing policy planners as they are forced to make difficult choices.

Austerity: Prospects and Strategic Consequences

With some exceptions, the panelists largely rejected the assumption that federal deficits and relative economic decline would force changes in U.S. grand strategy in the coming years. Spending on national defense accounts for just under 5 percent of GDP. The Pentagon consumes about 23 percent of the federal budget, and more than half of all discretionary spending, but cuts in military spending alone will not close the current account deficit, and defense costs pale in comparison to long-term projections for entitlements such as Medicare and Social Security.

The far more likely constraint on U.S. grand strategy will be a lack of public support for primacy. Recent surveys show that the American people have grown weary of the burdens of global governance. To date, most opinion leaders and foreign policy professionals have largely ignored public sentiments, and several panelists asserted that this could continue. Others, however, questioned the wisdom of pursuing a grand strategy increasingly at odds with public preferences.

Not surprisingly, the military is most concerned about the high likelihood of cuts to the defense budget independent of how the question of strategic reorientation is resolved. Such a change would merely shift the costs and risks to a shrinking pool of uniformed personnel equipped with aging and inferior equipment. But spending cuts, even if implemented in the context of a major strategic shift, could have far reaching effects on an already diminished industrial base. At least one panelist, however, disagreed with this assessment, arguing that the U.S. industrial base remained the strongest in the world.

The problem of fiscal constraints is not unique to the United States; it applies in other countries as well, especially Europe. But the constraints on U.S. power extend beyond the pressure applied by the competition between domestic spending and military budgets. Specifically, panelists argued that the decline in the economic foundations of U.S. power had undermined the United States' role as the world's "market of first resort," threatens allies dependent on U.S. consumption for their own fiscal well-being, and would reduce the country's non-military leverage.

While some Americans may have an interest in managing the economy to reverse any decline in manufacturing capacity, the traditional American skepticism of "industrial policy" makes this unlikely, potentially leaving the country at a disadvantage with respect to other states more inclined to actively manage their national industrial assets. That being said, one

panelist commented that there is little evidence that “industrial policy” contributes either to economic dynamism or strategic capabilities in a consistent and beneficial way.

Identifying Strategic Interests and Threats

The panel widely agreed that the size, structure, and deployment of military capabilities should flow from U.S. national security interests, not the anticipation of fiscal or political constraints. While Europe is widely deemed vital but secure, major areas of continued international concern include East Asia and the Middle East. At least one panelist argued that the demand for U.S. presence in these two regions is likely to increase over the next 20 years.

But panelists also acknowledged the obstacles posed by strong political disagreements about core U.S. interests (ends). One panelist noted an analogous situation during the Cold War when policymakers shifted between a limited and expansive definition of U.S. interests. Limiting interests has the advantage of focusing available resources on a core set of problems. But a limited “list” of interests requires making hard choices and runs the risk that the public will be surprised by, and unprepared to meet, challenges outside of those defined interest areas.

One panelist noted that, according to the 2010 QDR Independent Panel, U.S. interests are increasing. Other panelists, however, argued that an expansive definition of interests risks overstretch and fiscal ruin. One suggestion was to emphasize “strategic stability” as a core interest that lowers the chances of crises escalating into military conflict. While strategic stability might lend itself to a broad understanding of obligations, at least one panelist argued that in spite of fears to the contrary, the U.S.’s geopolitical position and access to core resources made it quite secure. Rather than take insecurity as an assumption, policymakers should begin with an honest and objective assessment of U.S. vital interests and use such an assessment in matching obligations to the capabilities and strategies necessary to defend them.

The Menu of Grand Strategic Options

However, just as with ends, panelists agreed that there were deep disagreements about means. Two strategies – multilateral engagement and off-shore balancing – dominated the discussion. Here the division of interests became particularly clear, with the military preferring off-shore balancing, and many diplomats and academics favoring multilateral engagement. In favor of multilateralism, panelists cited the benefits of sharing costs with partners like the UN and “like-minded states” such as the European Union to make expanded commitments more viable, and to increase efficiency for humanitarian and peacekeeping operations. Critics argued that UN forces are not the equivalent to U.S. forces, and are not likely to be as effective. They also faulted the UN for being inefficient and unable to muster

the political will to achieve important goals. Defenders of multilateralism argued that the UN could be made more reliable and capable with a strengthened U.S. commitment to multilateralism, and could help in areas where the U.S. has failed to achieve diplomatic objectives on its own.

Off-shore balancing – or what one panelist called “strategic agility” – is based on a restrained foreign policy relying on a reduced global footprint and over-the-horizon deployment of forces to intervene in crises. This was seen as strongly favoring maritime power, most likely to suffer if austerity becomes a reality. At the same time, taking U.S. forces “off-shore” does not necessarily mean an end to an activist foreign policy, though, as mentioned above, it would reduce one source of tension – locally stationed American troops. Critics pointed out that withdrawing forces from forward bases, where they act as a trip-wire, risked undermining the credibility of the American security commitment. One panelist suggested that military and economic strategies should be separated. For example, one could imagine a combination of multilateral engagement in the economic sphere and restraint in military policy. The key is matching means to ends, and this, everyone agreed, involved hard choices.

Deciding U.S. Grand Strategy: The Challenge of Hard Choices

While the title of the panel suggested that the principle challenge to a continuation of the grand strategy would be fiscal austerity, the discussion identified political will (specifically, the lack thereof) as a far greater problem than a lack of financial resources. Panelists differed on whether the problem of political will rested primarily with the public or leadership. For example, some argued that the public would be unwilling to support an ambitious foreign policy during lean economic times, allowing domestic imperatives to dictate the limits of strategy. At the same time, some argued that the problem of public support can be managed, as leaders resort to threat inflation to mobilize support for even the most ambitious policies (though this may backfire, resulting in unnecessary wars).

Of course, the lack of public support need not be seen as bad: it may serve an important “smell test” for the reasonableness of foreign policies whose scope may be distorted by political and bureaucratic incentives. Nevertheless, panelists also argued that leadership was among the most important elements in making the necessary choices — and mobilizing public support behind those choices – to ensure a reasonable balance between obligations and commitments. Unfortunately, leaders face powerful incentives not to make hard choices. As several panelists observed, perhaps the prospect of austerity might serve as a useful starting point (a “noble lie”) for forcing policymakers to make those hard choices. In this sense, austerity may ultimately prove beneficial to U.S. strategy rather than a point of vulnerability.

