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## The Economics of Defence

John E. Fredland

Gavin Kennedy

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characteristic of which is the one of Halsey eating Thanksgiving dinner with the crew of the *New Jersey* in 1944. The charts although absurdly few in number, are precise and easy for the layman to follow. Numerous key operational dispatches are quoted in full in large type, and Merrill has provided full command titles to explain some of the otherwise cryptic acronyms in general military use.

Unfortunately, both books fail to meet the need for a serious full-length biography of Halsey. The admiral was too emotionally involved with events to be wholly objective in his account of himself, although his salty observation of the war from his pinnacle of command is quite indispensable for a deeper study of the man. Merrill's well-written and engaging book is simply too limited in scope to pass as a biography, although it might very well become a congenial companion to *Admiral Halsey's Story*.

Fleet Adm. William F. Halsey, Jr., USN, was indeed a favorite of the wartime American public. He was at that time, and probably will remain, a controversial personality, but none will deny that he was a great naval leader, whose strongest asset was his audacity in battle. The books reviewed here, one old and one new, revive for us the memory of a great admiral whose time, like the ships he commanded, belongs to the pages of history.

THADDEUS V. TULEJA  
Saint Peter's College

Kennedy, Gavin. *The Economics of Defence*. Totowa, N.J.: Rowman and Littlefield, 1975. 251pp.

The literature on defense economics, broadly construed, is voluminous, but there are few good "introductions" to the subject. The continued popularity of Hitch and McKean's *The Economics of Defense in the Nuclear Age* (now in its ninth paperback printing), written

almost 20 years ago attests to that fact, although there have been a few more recent general introductory works—for example, Murrery Wiedenbaum's *The Economics of Peacetime Defense*. At least part of the reason that there are few introductions to defense economics is that the array of topics which can be included under that general heading is truly vast, ranging from the practical application of microeconomic tools in a systems analysis framework, to the theoretical abstraction of the economic theory of conflict, to the Marxist proposition that defense spending is a necessary prop to capitalist nations. The British economist Gavin Kennedy has written, in nine short chapters, a good, textbook introduction to an extremely wide range of defense economics topics. The book is an outgrowth of his lectures and seminars at two universities and at the National Defence College in Great Britain in the early 1970's.

The book begins with an interesting chapter on the history of economic thought with respect to defense from Adam Smith to Lord Keynes, followed by a chapter discussing the economic theory of public goods. Defense is the classic example of a "pure public good" in the theory of public finance. Kennedy develops the theoretical models in some detail, including an extensive discussion of the economic theory of military alliances. These two chapters are the most interesting in the book. The subjects, which are treated with clarity, are not covered by other introductory books of which I am aware. Chapter 3 presents worldwide comparisons of defense budgets, and comparisons of the national burden of defense expenditures as measured by the ratio of defense spending to GNP. The methodological problems in such comparisons are carefully discussed, particularly in the context of a U.S.-Soviet comparison. Kennedy concludes that international comparisons are crude and uncertain, but that they have some

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usefulness in understanding strategic problems. The fourth chapter, entitled "British Defence Budgets," includes considerable institutional material on the United Kingdom which will be of limited interest to most American readers, but it also contains discussion of the principles of program budgeting and of the economics of conscription versus all-volunteer manpower. The material on the latter two topics is of general interest. The next two chapters treat a wide range of topics relating to defense industry. Chapter 5, which relies almost exclusively on U.S. data, describes the size and nature of defense industry, the degree of competitiveness, and types of procurement contracts. Chapter 6 discusses weapons development, concentrating for the most part on R. & D. Institutional material on the organization of U.K. defense R. & D. is included, but much of the chapter is analytical, and there is an extended case study discussion of the development of Polaris. Chapter 7 presents the broad outlines of systems analysis. It is definitely not a "how to" manual. There is no introduction at all to microeconomic techniques for implementing economic analysis—discounting, capital rationing, techniques for dealing with uncertainty, and the like. This chapter does provide an overview of the economic approach to decisionmaking, and discusses its limitations. Kennedy concludes that the approach leads to more informed decisions, but notes that the final test is whether it leads to better decisions. One guesses that he feels that it does, although he obviously has some misgivings. Chapter 8, entitled "Impact of Military Spending," contains an extended critique of the Marxist Michael Kidson's analysis of defense spending as a prop in capitalist economies; discussion of the regional impact within a country of defense production; and analysis of the economic impact of military aid to the Third World, among other topics. The final chapter discusses

the economic effects of a major disarmament program. Kennedy asserts, correctly in my view, that the economic problems of disarmament are entirely short term, and do not constitute an argument against disarmament. The long-term problems are all political ones. *The Economics of Defence* closes with an excellent bibliography to guide the student to the professional literature. The bibliography is organized into 11 topic areas: Arms Race; Military Manpower; Regional Impacts of Defense, etc. Most of the literature cited was written in the United States. A minor criticism: unfortunately, the author does not include, with a few exceptions, his footnoted references again in his bibliography, which is somewhat inconvenient.

It is easy to criticize an introductory book of this kind for what it omits. To the specialist, the treatment of many of the topics will seem somewhat superficial, and some topics of importance are not dealt with at all. Mentioned earlier is the lack of discussion of microeconomic tools for decision-making. Other omitted topics include inflation, price controls, and rationing in a war context, and the impact of war on economic growth. There is little mention of the spillover effects of military R. & D., and no mention of the spillover effects of military vocational education. While I might prefer that some of these be included, and that some of those topics Kennedy has chosen to write about be excluded, I cannot say that there are any glaring omissions.

In addition to topic coverage, the reader who may wish to use the book as a teaching vehicle will be concerned about the level of difficulty and the U.K. orientation. The analytical content of the book is not particularly rigorous. A basic course in economics would certainly be useful to the reader of some parts of the book—particularly the chapter on public goods, the material on

military manpower, and the material on regional impacts of defense spending, in which a simple regional model is developed. However, even in reading those parts, most could get by without previous economics background. The level of difficulty is certainly below that in much of Hitch and McKean. The American reader uninterested in the British defense establishment will not find the U.K. orientation a significant drawback. Other than in the first part of Chapter 4, the book is not descriptive of British institutions. In fact, because the research and the literature are so dominated by American scholars, much of the description and analysis is in a U.S. context. My judgment, then, is that the book can be used as a text in an introductory Defense Economics course in the United States, if it is fairly liberally supplemented with other reading.

In short, *The Economics of Defence* is a compact introduction to a great many topics in defense economics. The specialist in defense economics will learn little from this volume—but it is not designed for him. For the economist unfamiliar with the defense sector, it provides an introduction into a range of defense problems to which economics can contribute insight. For the military professional with little or no training in economics, the book provides a good introduction to the applications of economics to national defense. In this regard, Kennedy has written a very useful book.

JOHN E. FREDLAND  
U.S. Naval Academy

Lundstrom, John B. *The First South Pacific Campaign: Pacific Fleet Strategy, December 1941-June 1942*. Annapolis, Md.: U.S. Naval Institute Press, 1976. 240pp.

It is probably no exaggeration to say that far more print has been expended on the events leading up to the war with

Japan than on the war itself. About the 3½ years of war in the Pacific there are virtually no historiographical controversies. The single episode which has been carefully studied and debated is the decision to use the atomic bomb and this discussion has been concerned more with the origins of the cold war than on the climax of the war with Japan. Other writing about the war generally falls into two categories, a rehash of the official histories or breathless "human drama" accounts which tell the reader exactly how Gunner's Mate Joe Jones was feeling when he shot down his first zero.

*The First South Pacific Campaign* falls into neither of these tired categories. It is instead a major reinterpretation of the first half year of war in the Pacific which demonstrates that there is still much to be learned about the strategic and operational aspects of the war. Relying heavily on the CINCPAC-FLEET war diaries and a private translation of the Japanese Self-Defense Agency official history, Lundstrom shows how the South Pacific, an area of secondary interest to both Japanese and American strategists at the beginning of the war, gradually became an area of decisive importance in determining the success of the American "defensive-offensive" during the first phase of the war.

Lundstrom's interpretation differs in a number of important respects from the standard account in Samuel Eliot Morison's *History of U.S. Naval Operations*. For example, in discussing the unsuccessful relief of Wake Island, Morison criticizes Adm. Frank Jack Fletcher for pausing to fuel his destroyers instead of pressing on toward Wake on 21 December 1941 when he could have caught the Japanese invasion force unloading and without air cover. Lundstrom, however, shows that Vice Adm. William S. Pye, who relieved Adm. Husband E. Kimmell as CINCPAC-FLEET on 17 December slowed down