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The Three Per Cent Solution and the Future of NATO

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author has painted a valuable portrait of the social life on the European station.

The author viewed his task in a very strict sense. He has purposefully excluded the history of naval diplomacy, intelligence-gathering operations, and the activities of American observers with European navies. He has surveyed the scene from the perspective of an American naval officer serving in American vessels. He has made little attempt to probe into foreign perceptions of American naval activities. The result is a well-crafted narrative that brings to light some little known facts and personalities.

Professor Still has done an excellent job of research and he has made particularly good use of the collections in the National Archives and in the Library of Congress. Overall, he appears to have made a rational and well-organized search for materials within the United States. He should be praised for his thought to employ foreign sources. Great riches lie in wait for those who are able to master foreign source materials, but they are difficult to find and to use. In Still's case, his search for material abroad seems to have been haphazard and based on chance. Without even suggesting the problems of language and access to collections in many countries, his use of British materials, alone, seems quite odd. Certainly, Christ Church, Oxford, is a most enjoyable place to work, but it is unfortunate that the microfilms of material from the Public Record Office should have been consulted there without using original materials in other classes from that depository, located only an hour away. Surely, one could find more that bears on the subject in the rich collections of the National Maritime Museum and the British Library. In general, Still appears to have done little work in foreign language materials. One would think much use could be found in Danish, Swedish, French, Portuguese, Spanish and Italian archives.

Many readers will be disappointed that the book lacks an analytical summary that deals with some of the useful details noted in the narrative and that suggests the variety of peacetime functions for a naval force. The book would have been a much more valuable study if it had effectively analyzed the functions of the U.S. Navy within the wider context of international affairs of the day and dealt with foreign appreciation of the Navy as a guide to the effectiveness of American naval power. One also wishes that Still had included appendixes listing the flag officers and ships assigned, with their dates. As it stands, the book is a useful addition to naval history and comparable to the work that Robert Johnson has done on the Navy in the Pacific and the Far East in the same period. We need now a study of fleets in the western and south Atlantic to complete a set of narrative surveys.

William Still's study provides a basic narrative where none existed before. That, in itself, is a useful contribution, but it is a contribution with a limited value. One can find here a partial record of the past, but if we are to understand more deeply the nature and uses of naval power in the past, one can neither remove the U.S. Government's intentions and purpose in employing the Navy, separate the Navy from related functions, nor fail to know the perceptions of foreign governments in relation to the Navy's role.

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The Three Per Cent Solution and the Future of NATO. Philadelphia: The Foreign Policy Research Institute, 1981. 118pp.

The Three Per Cent Solution is the second monograph published by the Foreign Policy Research Institute in its Western Security Studies Program (then under the direction of Alexander

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M. Haig, Jr.). The Foreword to the present volume states, "That program addresses (1) the Western commitment to defense in an age of 'welfare statism' and slow economic growth, (2) the ability of the United States and its allies to coordinate their approaches to the energy challenge, and (3) the need for a coherent national strategy ranging from politics to military doctrine and weapon systems." The focus of *The Three Per Cent Solution* is on the first issue.

The adverse trends in the military balance between the Soviet Union and the United States and between the Warsaw Pact and NATO have been documented by many studies in recent years. The "Three Per Cent Solution" to the military imbalance was the May 1977 pledge of NATO members to increase their defense budgets by three per cent per annum in real terms over a 5-year period starting in 1979.

After discussing the origins of the Three Per Cent Solution, this work gives a chronology and analysis of the principal developments in this approach during the Carter administration. While there had been previous calls for greater efforts to allocate more resources to NATO's defense programs, by establishing a fixed number as the annual increment in defense spending after allowance for inflation the Three Per Cent Solution substituted "a solemn pledge" for informal budget guidance. Although the United States was the proponent of the three per cent target, initially it was the United States rather than the European allies that would have to make the greatest efforts. This was because U.S. defense budgets had been declining in real terms in the 1970s while those of the Europeans had been increasing.

Other reasons for fixing on the three per cent figure were that it was close to what was estimated as the Soviet rate of growth in defense spending, although later estimates showed higher growth

rates for the Soviet Union. Three per cent was also in line with anticipated rates of economic growth. This last point is significant because if the rate of growth of real defense spending is no greater than the rate of growth of real GNP, more defense spending is possible in absolute terms without national defense taking any greater share of GNP. Hence nations can have both more guns and more butter, avoiding painful choices.

However, after making the three per cent pledge, both the United States and the European allies experienced slower economic growth and more inflation than expected. Budgetary pressures and efforts to control inflation made it difficult for nations on either side of the Atlantic to adhere to their commitment. This led to efforts to redefine what had been promised and to disagreements among the NATO allies.

The FPRI staff finds that the Three Per Cent Solution did not give a good picture of what was really happening in NATO defense programs. The Solution's survival over time depended more on international crises and on efforts to get the SAL II treaty through the U.S. Senate. And finally three per cent real growth was insufficient to meet the Soviet threat. While no figure like "3 per cent" adequately answers the question "How much is enough?", the FPRI study concludes, "A repetition of the *process* that led to the Three Per Cent Solution, however, is an essential step." (p. 102) This book can be recommended as of value to the reader in contributing to an understanding of how a defensive alliance like NATO must grapple with the issue of setting priorities.

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