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The Defense Industry

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tabular data, this work should stand as a major reference in measuring Soviet doctrinal perceptions concerning potential conflict between NATO and the Warsaw Pact.

The 1980 edition of *SAFRA* follows its traditional coverage and offers detailed treatments of the Soviet military machine and related activities of major note during the year 1979. In that respect, *SAFRA-4* has particularly succeeded in solving a lingering problem of time-perishable data inasmuch as earlier volumes were generally 2-3 years behind in their annual surveys. High quality analysis by expert contributors, in contrast, never has been a *SAFRA* shortcoming and the 1980 edition is no exception in that regard. Obviously a much more quantitative reference than the Douglass work, the volume provides a solid statistical summary of current Soviet military power in Part I, and nearly all of the annual reviews of the various Soviet armed forces components and major military-related activities context in Part II include additional tabular and graphic data that provide authoritative estimates of 1979-80 strength level, organizational structures and key command personnel. Besides coverage of the military forces, annual reviews of recent developments in the Soviet defense industry (John McDonnell), space programs (William H. Schauer) and the Far East (Carl G. Jacobsen) help round out Part II. The special surveys in the following section include a solid essay on Soviet military aid to the Third World (Lee Dowdy), while Part IV, which treats Soviet military doctrine and theory, features Michael McCwire's particularly insightful contribution on the evolving strategic role of the Soviet Navy over recent years. In the final section John McDonnell's solid editorial comments accompany the verbatim reprint of the SALT II Agreements.

All told, these two volumes furnish a wealth of useful background data for

anyone seeking to gain or maintain a working familiarity with the modern Soviet Defense Establishment and its politicomilitary elite's perspectives of the U.S.S.R. as a global military power.

JOSEPH E. THACH, JR.
OASD (PA)

Gansler, Jacques S. *The Defense Industry*. Cambridge, Mass.: MIT Press, 1980. 321 pp.

Most of the debate about the United States' defense program has been concerned with how much should be spent and on what items. Thus, the demand side of the defense market has received much attention. Now that recent world events have produced a consensus on the need for improved military capabilities, it is time to address the supply side. Can U.S. industry develop and manufacture the needed hardware in an efficient, economical, and timely fashion? *The Defense Industry* will be very useful in understanding these issues.

Gansler has excellent credentials to write a study of the defense industry. He has held management positions in several major defense contractors and subcabinet posts in the Office of the Secretary of Defense in the areas of the development and procurement of defense materiel. His education includes degrees in engineering and in economics. This book appears to be an outgrowth of his dissertation for a Ph.D. degree in economics. His background is reflected in the extensive bibliography that covers both academic and government studies.

The tools of economic analysis are combined with detailed knowledge of the defense industry to examine the industry from both "economic and strategic perspectives." The overall assessment of the status of the defense industry in the post-Vietnam War era is not encouraging. Gansler concludes "that the industrial base of defense is

becoming economically inefficient and unresponsive to a potential strategic emergency."

This state of affairs is correctable, and Gansler proposes a number of policy changes that he estimates would enable the Defense Department to purchase an additional \$3 billion of equipment without any increase in the budget.

Before arriving at these conclusions and policy proposals, there is discussion of the relationship of the defense industry to the U.S. economy and the industry's structural, behavioral, and performance characteristics. Various models and concepts of economics are used, but Gansler's greatest strength is his depth of institutional knowledge.

The author argues that a "free-market economy" does not exist in the buyer-seller relationship in the defense industry because of the single buyer and relatively few sellers. While it is true that the defense industry has these structural characteristics, Gansler seems to be using the term "free market" as identical to the market structure that economists call "perfect competition," a large number of buyers and sellers. Many nondefense industries have few sellers and high levels of concentration, but would still be characterized as "free markets," albeit imperfect ones. In fact the author, himself, makes the point that imperfect competition is still competition when he says, "Because of the unusual nature of oligopoly rivalry, two subcontractors is often a sufficient number for real competition."

The discussion of prime contractor-subcontractor relationships highlights the importance of subcontractors and parts suppliers to the nation's industrial mobilization capability and the developments at this level that have reduced production surge potential. DOD's tendency to focus on the prime contractors has caused it either to overlook or to give inadequate attention to the lower

tiers of the production process. Fortunately, this situation has been identified in other studies of the industrial mobilization base, but Gansler's analysis should give added impetus to the effort to take corrective actions. He provides a number of proposals that, while not completely original, would strengthen vertical production relationships and industrial preparedness planning.

Although the book frequently discusses the defense industry in general terms, it makes a major effort to point out that the industry has significant sectoral differences and to be effective, policies must be shaped to the conditions prevailing in particular sectors. The chapter on sectoral differences goes on to describe the aircraft and shipbuilding industries and proposes some corrective actions that could alleviate problems that affect each of these sectors, e.g., excess capacity in the aircraft industry and very high labor turnover in shipbuilding.

One of the post-Vietnam period developments that is of special concern to Gansler is the internationalization of the U.S. defense industry. Shrinking U.S. markets and high R&D costs have made foreign markets increasingly important to U.S. arms manufacturers. But unlike previous military sales programs when the United States was selling older equipment, the foreign military sales programs of the 1970s have involved advanced technologies. These sales are often in competition with contemporaneous procurement of the same equipment by U.S. forces and entail long-term training and logistical support commitments. At the same time, U.S. defense production is becoming more dependent on components that are produced abroad. The author believes that these multinational considerations have tended to be either ignored or treated on an *ad hoc*, short-term basis in a simplistic fashion. While he notes that questions are easier to provide than answers, there is a need to

address the issues of international interdependence in the defense industry.

A brief chapter discusses how other nations approach their defense industries. This reviewer found this material to be intriguing and a subject worth developing at greater length. One nation cited approvingly is Sweden. Although Sweden has a small defense market, it has developed "one of the best defense industries in the world." Sweden discourages foreign military sales and tries to be self-sufficient. However, it provides stability to its industry through macroeconomic planning with multiyear budgeting and planned phase-in and phaseout of major weapons systems. Similar measures are advocated for the United States.

Gansler also sees a need for closer integration of military and civilian production within U.S. firms and plants as is done in Sweden and in the Soviet Union. Among the benefits of such arrangements are greater surge capability and more employment stability by using redundant defense workers to make civilian products. However, this reviewer would caution that even if the technology, administrative, and marketing requirements of the military and civilian goods make coproduction feasible, there is a risk that the demand for both types of product may peak at the same time. The United States experienced this simultaneous peaking problem in the production of jet engines for both civilian and military aircraft in the mid-1960s and the competition of both naval and merchant vessels for the same production resources in certain shipyards in the early 1970s.

The Defense Industry is a readable work with substantial content. It deserves wide readership by all persons, whether military or civilian, who are involved in the process of military research, development, and acquisition. The analyses and solutions proposed should raise the level of discussion of

policies necessary to achieve greater military power.

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Horsfield, John. *The Art of Leadership in War: The Royal Navy from the Age of Nelson to the End of World War II*. Westport, Conn.: Greenwood Press, 1980. 240pp.

Few would deny that leadership is a critical element in military and naval affairs. Its importance is rarely underrated, yet much of the literature on the subject lacks quality. Over the years, writers have found it difficult to produce much more than pious studies of heroes, mosaics of quasi-psychology and precepts of doubtful validity. When faced with a book on leadership readers too often begin to doze. Admiral Rickover has even suggested to a sister journal that it call a 10-year hiatus to publishing such "sophomoric drivel."

John Horsfield's book is an attempt to break out of the old mold and to consider the problem of leadership anew, within a historical perspective. The work has its limitations, but it is an important contribution that points out a sound approach to the subject.

Horsfield has strictly limited his scope by concentrating on "admirals in action." Taking a very selective list of British admirals from a 200-year span of history, he asked a number of important questions. Among other things, he looks at his subjects' relations with others, both junior and senior, attitudes to change, and personal background. After gleaming information on these points from a variety of published and manuscript sources, he goes on to see if there are any common and continuing elements in style and nature of leadership that transcend the various historical periods.

He approaches his task with stress on the sound idea that a man must be seen in relation to his own time, or as he puts