

Is the factor of economic decline sufficient to explain UK defence policy after 1945?

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ADAM MORETON, SEP 29 2011

Economics have a profound influence on defence policy regardless of country. One merely needs to observe the debates on expenditure today, for a look at how, even a superpower like the United States' armed forces is constrained by defence budgets. However while the same holds true for the UK; it has been more noticeable since 1945, with Britain's relative declining power and prestige in international terms.

While the notion of economic decline is hardly refuted, to point to it as causing all the decisions in defence policy since 1945 would be simplistic. It would also neglect other important issues influencing decision making throughout modern UK defence policy, an argument espoused by Andrew Dorman[1], perhaps the most pervasive being the notion of ideational decline[2]. While this concept is important to understanding UK defence policy since 1945, it is hardly alone in conflicting with an all-economic dominative perspective. Geostrategic factors[3], bureaucratic and political interests[4], crisis's and international relations[5] have all been prevalent in policy making since 1945.

Given the vast timeframe which could be devoted to how the previously mentioned factors have influenced UK defence policy at its various levels, it would be prudent to mention the importance in relation to danger and the threat to British security, with that of the state of the British economy. Baylis made this point and also explained how this could explain many of the decisions invoked after 1945.[6] Given the importance of the 'turning point system' within the orthodox thought, it would be convenient to look at these events in relation to the threat to the UK, and also to explain how these important events were influenced – but not controlled – by economic conditions, caused by UK decline. The turning points which will be looked into will include the period of the Korean War, the Suez crisis and the following East of Suez policy, the Nott Review and the Thatcher government and lastly the end of the Cold War and the Strategic Defence Review of 1998.

The first major turning point according to Lawrence Freedman was the subsequent militarisation of the Cold War, caused by the Korean War[7]. The Korean War and this period of increasingly strained relations between the West and the Soviet Union would have important consequences which would be felt through the later decade. One of the more profound decisions taken by the UK was the rearmament, at a time of turbulent economic upheaval for Britain.[8] To emphasise this point Freedman saw that the first post-war defence review was perhaps the most significant, raising the defence budget, due to the Korean War as well as the determination that the UK remain a major player in the strategic game[9]. While it is true that as soon as the decision was made, attempts were made to escape their full implication, it is nevertheless important that economic considerations did take a peripheral position in the decision making process. Dockrill argued that while promises of American aid was an important consideration, it was as much about American pressure and a need for Britain to prove its credentials as a close ally of the United States that Attlee approved the rearmament programme. If aid was the major issue as a result of economic bargaining the expenditure of £3,700 million over three years, later rising to £4,700 million by 1951 would likely outweigh any economic benefits received by aid alone, which it eventually did.[10] Other causes for the decision to rearm were brought about by the strategic and international determinants of the relationship between the US and the UK, but add to this an increasingly hostile Soviet Union and a communist war on the Korean Peninsula and one has substantial causes for the decision to rearm[11], other factors also proved their role in the decision to rearm as well. The general attitude for Britain to maintain its position in international affairs had a major influence on public opinion

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at the time and was one of the major issues in the general election of 1951.[12]

The Suez crisis was sparked over the nationalisation of the Suez Canal Company and a decline in Egyptian and British relations in the 1950s, the Canal held vital economic and financial interests for the UK and were according to Dockrill "essential if Britain's route to the Gulf and the Far East was to remain secure." [13] Despite the economic considerations, there were also strategic interests invested in the crisis itself and which were further motivated and fuelled by the personality of Anthony Eden himself, who viewed Nasser as the 'Hitler of the Nile'. [14]

The Suez crisis was possibly the biggest failing in British defence, post 1945. The failure of the operation ultimately forced Eden out of office [15], as well as shocking the UK general public it demonstrated the failings of the armed forces in the planning and preparation phases of the Suez campaign [16]. Suez also confirmed the economic weaknesses and the ultimate reliance of the UK on the US, it was the US after all that blocked the loan which the UK desperately needed from the International Monetary Fund and during the first six days of November 1956 the British gold and dollar reserves fell by 15 per cent. Dorman suggested that the ensuing financial crisis proved to be one of the main reasons why the government halted the invasion and accepted a ceasefire. [17] The ensuing defence review provided more insight into the initial consequences of the Suez crisis, the Sandys Review or the 1957 Defence Review, placed more emphasis on the role of the UK nuclear forces as a means of reducing the financial costs of defence. the conventional were looked upon by the government as a means of taking further defence cuts, this in turn led to a greater reliance of European allies to shoulder the conventional responsibility in NATO as well as reducing land and air forces deployed in West Germany. [18] The Sandys Review therefore reflected the previous two defence whitepapers and in turn implemented them in full, this was in part due to the reaction to the Suez debacle and also the government's need to reduce the financial and manpower costs of defence. [19] Although these decisions were invoked because of the economic pressures on the UK government at the time, the perception in the UK was also influential, Hartley suggests this because the 1957 Defence Review arose because policy makers believed that defence was too costly in terms of sacrifices of industrial investment, exports, housing and medical services. [20]

The Suez crisis provided justification to advocates of cutting the defence budget because the conventional forces had failed to be an effective force in Suez. The financial fallout as a result of the crisis highlighted the long drawn out preparations for the invasion and the shortage of equipment of every kind. This resulted in many Cabinet Ministers questioning the large expenditure on conventional warfare. [21] It is therefore possible to put the resultant cuts in the Sandys review, down to the failure of the operation in the Suez crisis, as much as the failure of the UK economy at the time. It would have been unlikely that if the Suez issue had been successful, many of the cuts would have been vindicated in Sandys review, (and the previous white papers), much like the cuts to the surface fleet of the Royal Navy in the Nott Review which was overturned after the Falklands [22].

Perhaps the most evident example used by advocates of the economic decline argument is the end of the role East of Suez in 1968. While it would be hard to find any argument to challenge the economic determinants in the decision to end the role [23], according to Dockrill "it was the one clear case where pressure of economic circumstances forced Britain into a sudden change of course" [24]. To argue however that economic decline was the only factor in the decision would be questionable and also suggests that there was no freedom of choice for the policy makers. In fact Malcolm Chalmers argued that the withdrawal from the East of Suez was a reflection of broader shifts of opinion in the British elite, not only because of growing concern of the UK's economic crisis but also by labour MPs anxious to protect social services from cutbacks and also concerns from the business sector. [25] Indeed a major contributor to the decline in defence spending during this period was the greater emphasis on the role of the welfare state rather than a declining economy. [26]

Political opinion was another deciding factor for the withdrawal from the East of Suez. While dissent for the government's policy was at first largely negligible (as can be seen by the 1966 defence review) with the economic pressure rising, even the Cabinet "wanted no military presence in the Far East at all" [27]. This in effect started the 1967 review for the withdrawal from bases in Singapore and Malaysia during the economic crisis of 1967. This in turn was a political crisis for the Wilson government, who also helped facilitate the withdrawal from the East of Suez role, which without political support would not have been successful. However Chalmers argued that if not for the repeated financial crises, as a result of economic decline-the decision to withdraw would never have been taken. [28]

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However if the East of Suez role was pursued on purely economic interests, then it does not explain why the UK maintained its role until 1968 when the costs were outweighing the benefits years beforehand. According to Dockrill, Wilson's argument for remaining was based upon a strategic concern that relinquishing the role would fatally compromise the relationship with the United States as well as leading to increased instability in the area after the UK left. Another reason for the prolonged decision to commit to the east of Suez could be the reluctance of any government to be seen to be abandoning particular roles, not only because of political interests, which caused Eden's fall following Suez and later Nott after the Falklands[29], but also because of Wilson's own determination to not let the UK sink to becoming a regional power. It should lastly be noted the important role all these factors played within the decision to withdraw from the East of Suez, Baylis argued this point because he saw the decision was the product of a complex and highly volatile mixture of factors including changes in the attitude of the Cabinet towards the membership of the EEC, external events like the Six Day War, back bench pressure and a deteriorating economic situation.[30]

Thatcher is an ironic example of how the very notion of British decline was rejected[31] but how most of the defence decisions made under her government, particularly in the Nott review, seemed to be shaped mostly in the light of the economic climate, many of which were faced by most predecessor governments. The world depression was also according to Dockrill the major reason for the failure to increase defence expenditure under Pym the defence secretary at the time. Along with this was an initial failure to look outside of Europe and it wasn't until 1986 that the government would be able to agree to an extra 3% in real terms for NATO, which the Callaghan government had committed to.[32]

According to Dorman the Nott review, "was never formally a review but instead a realignment of forces to meet the financial situation of the time". The review in particular, reduced the Royal Navy's defence budget and its surface fleet in response to a growing domestic economic crisis and the limited options of savings in other areas. The review in part was remarkably similar to that undertaken by Denis Healey in 1964. The need to reduce the overspend committed by the previous government of £200 million with a projected overspend of £400 million by 1980/81 was a similar policy which Labour had adopted coming into power earlier[33].

The defence decisions undertaken by the Thatcher government could also be seen as a manifestation of the inherent contradictions plaguing the Conservative party which ultimately led to cuts, despite the rise in actual terms to the defence budgets. Dorman argued that this partly stemmed from the traditional conservative line, which was viewed as a budget cut of last resort which in practise, was demonstrated by only one defence review with any significant cuts in the post war years. Thatcher, on the other hand emphasised arresting Britain's long-term economic decline, with her policy goal of emphasising the defence budget, two goals which inherently conflicted with each other and which led observers to coin the term 'Thatcher Schizophrenia'. Because of the fact Thatcher could never decide if she wanted her legacy to be as the 'Iron Lady' or the 'Iron Chancellor'[34]. John Nott's review likewise reflected the monetarist control over declaratory policy[35]. However, while these reforms under Thatcher were economically driven, they were conducted in the light of the policy preference and the governing ideology, rather than the material conditions associated with a declining economy. A similar issue had plagued the Wilson government and the welfare state.

The Nuclear deterrent in the form of Trident was also another confliction with that of the decline of the economy; indeed Peter Malone argued that while "Few doubted that Trident was, militarily, the best system that Britain could buy, the question was whether she could afford it." [36] Furthermore the cost estimates for procurement frequently changed during the build time. This was in part due to the weak pound, which in turn placed a further burden on the weakened economy[37]. Yet despite this critical fault in its procurement, the nuclear deterrent was still pursued[38]. Furthermore the reasons for its continued existence could be at least partially explained in terms of a failure of detente and increasingly strained relations between the Soviet Union, United States and the United Kingdom. This combined with Thatcher's strong desire and election promise, also forced the decision to modernise the deterrent. Nevertheless, while the issue of prestige and the public attitude to reverse decline (both materially and ideationally) was vital, the relationship with the United States and NATO was also of strategic importance and could not be dismissed in the decision.[39]

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With the end of the Cold War and the depreciating threat of the Soviet Union, came the freedom by policy makers to make changes, or cuts in defence policy. The defence review 'option for change' was according to Freedman, a review to bring defence provisions into line with the new realities.[40] While the composition of the armed forces was the same as before 1989, all services were scaled back as a result of the government's objective to achieve a sizable peace dividend without significant political fallout.[41] The review was likewise not dictated by economic decline but by the disappearance of the major threat to UK security, which in itself was a major turning point in defence policy.

The Strategic defence review (SDR) in 1997 was perhaps the most fundamental change to UK defence policy since 1945[42], Dorman argued that it was merely a relabeling of existing defence tasks more than a fundamental change in policy, but what it achieved was the realigning of the three dimensions of policy with one another. Nevertheless the review did promote an internationalist agenda, being foreign policy led (rather than treasury led)[43], and set about the development of an expeditionary capability and the structural changes to create more flexible armed forces.[44] Moreover Freedman recognised the lack of economic necessity in the decision for the SDR stating "It did not follow past reviews in being driven by some actual or pending financial crunch, nor in reinforcing the tendency to concentrate increasingly on the centre of Europe." [45] More interestingly was the overt linkage in the SDR for the use of military force to support the UK's economic interests, rather than the opposite in other reviews.[46] With the threat of a resurgent Russia seemingly distant and Britain more secure than it had been any time since 1945 and the peace dividend already been taken[47], the role of a purely economic decline driven defence policy seemed to have been challenged quite significantly.

To conclude, economic decline has had a major influence on the UK's defence policy post 1945. This can be seen by the failure of Britain to continue its role east of Suez and also more generally, if somewhat controversially, for the creation of Britain's nuclear deterrent. However to judge from an orthodox perspective the defence policy since 1945, primarily on the basis of economic decline, would be problematic as well as simplistic. There were other issues to take into account such as international determinants, the personality of the prime minister and the differing context and challenges posed to policy makers at the time. It could also be difficult to suggest economic decline had the most importance on UK's defence policy when strategic concerns were at stake, according to Baylis it had an equally important role to play within defence policy. It might be more sensible as John Baylis suggested, not isolating an important determinant. In this case the economic decline of the UK, because it would be ignoring the importance of the dynamic inter-relationship with other factors and the impact of this mix of factors together on defence policy making. For instance, the decisions to phase out the aircraft carriers in 1966 was the product of a host of varied and interlocking reasons, including economic issues, inter-Service rivalry and strategic assessments.[48] Likewise it would be rather risky trying to identify a key variable when there is a complex and changing relationship between various determinants which never stay the same and can vary significantly in terms of importance such as the condition of the UK economy or the leadership of a prime minister.

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