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Economic Security
A National Security Folly?

by Donald Losman

Executive Summary

Although economic considerations have a role in grand strategy, economic goals per se are inappropriate as national security objectives. Nonetheless, specific economic goals have become part of America's national security strategy (as well as part of the national psyche)—in large part as a result of the 1973 OPEC (Organization of Petroleum Exporting Countries) oil embargo and the economic trauma of that decade. And there is constant pressure to add further economic objectives to that strategy.

Considerations of practicality, morality, and efficiency, however, argue that economic goals should not be regarded as national security responsibilities. The economic trauma of the 1970s was more a result of foolish American economic policy than of the capabilities of oil- producing nations to do damage. Even at that time, self-inflicted wounds far exceeded those externally imposed. Today, U.S. susceptibility to such external pressure is minimal. In short, there is no need to use America's military resources to defend the U.S. economy.

Moreover, it is difficult to delineate "strategic" goods or economic threats in a practical fashion, and such difficulty will only compound over time. Perhaps more important, the willingness to use military force to ensure access to resources or to obtain economic objectives raises a significant moral question. When nations have acted in this fashion, the United States and other countries have considered it immoral. Yet, in our fear of resource deprivation, we have fashioned a strategy that countenances such actions.

Finally, the addition of economic goals to national security objectives complicates the making and implementation of national security strategy and diverts a significant portion of military resources away from more appropriate, core national security ends.

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Economics and National Security: An Unfortunate Blend

Economic security issues have traditionally centered on health uncertainties, retirement needs, and protection against income interruption. In an interesting twist, over the past quarter of a century our civilian leadership and the military community, joined by a variety of domestic groups, have transformed the concept of *economic* security into a prominent *national* security issue. Undoubtedly, the major impetus for this was the 1973 OPEC (Organization of Petroleum Exporting Countries) oil embargo and the economic trauma of the 1970s. In those dark days of oil shortages, record interest rates, and rapacious inflation, foreign economic "weapons" appeared to threaten the economic well-being of the United States and possibly even jeopardize important strategic interests. In U.S. debates on national security, economic concepts and references began to abound. Reflecting this blending of economics and national security, public opinion pollsters began to ask Americans what their perceptions were of the gravest national security threats, usually posing economic challenges (such as those from Japan) as one choice and military threats (from the Soviet Union or North Korea, for example) as another.

Nevertheless, even as late as 1987 and 1988, formal U.S. documents on national security strategy remained narrowly focused on military power and the U.S. rivalry with the Soviet Union. But the documents began to broaden, particularly in the administrations of George H. Bush and William J. Clinton. Those administrations emphasized the role of economics and entertained the inclusion of environmental policy. For example, the first page of the introduction to *A National Security Strategy for a New Century,* published in December 1999, has the word "economy" or "economic" five times, and "prosperity" appears twice. Listed under vital national interests is the "economic well-being of our society."[1] The paragraph concludes, "We will do what we must to defend these interests . . . using our military might unilaterally and decisively,"[2] if necessary. Those statements indicate that America is willing to use military force to attain economic goals. Contrast that text with the 1988 report's introduction, in which the word "prosperity" never appears, and "economic" is used only three times, mainly as a tool to achieve larger ends rather than as an end in itself.[3] Naturally, America's military establishment has "gotten the word" on economic goals as national security objectives.

Rarely, however, has the economic content of national security policy been put to a rigorous intellectual or logical test. Instead, it has simply been accepted. But the economic security concept as a national security goal is ill-suited, imprecise, and unnecessarily costly and could entail using U.S. military might in dubious ventures. Moreover, attaining economic objectives through the use (or the threatened use) of military force is essentially a "might makes right" philosophy. At best it is morally questionable; at worst it is abhorrent. And operationally the concept causes problems that complicate and degrade our appropriate national security missions.

Traditional Economic Security

Human beings tend to be averse to risk, and economic insecurity has traditionally been addressed by economic measures. Insurance plans, personal savings, home ownership, and the like are common private methods of dealing with the economic insecurities of old age. Security against losses from theft, fire, and other kinds of risks is provided by insurance and preventive measures such as alarm systems and fire extinguishers. Long-term health care policies are available to reduce and stabilize the costs of caring for the elderly. Economic security has also been addressed, rightly or wrongly, through such government programs as

Social Security, Medicare, unemployment compensation, welfare, and trade protection. In short, we have traditionally used private or public economic measures, not the military, as the main provider of economic security.

Oil Paranoia

A specter is haunting America—the continuing, and at times almost hysterical, fear of oil shocks. In October 1973, the Arab oil-producing states imposed production restraints and an embargo—their second such attempt. They did so allegedly as a punishment for those countries that supported Israel in the Middle East war earlier that month. Their first effort at embargo occurred in 1967, following the lightning Israeli victory in the June Six-Day War. That episode is not well-known because it was a total failure. However, global oil market conditions would change substantially in subsequent years.

Oil in the United States had been governed by a maze of state and federal regulations. As a subsidy to domestic oil producers, nominal U.S. prices were held relatively stable—and higher than world prices—from the 1950s through 1973. It was not until 1974, after the second OPEC embargo, that inflation-adjusted (real) U.S. prices were kept below world levels. Nonetheless, even before 1974 domestic price signals were misleading and promoted vulnerability to price and supply disruptions. For example, between 1970 and 1971 inflation-adjusted domestic crude oil prices declined 1.2 percent, despite real world prices rising more than 21.2 percent. From 1971 to 1972 real U.S. prices again declined (3.4 percent) in the face of another increase (7.9 percent) on world markets,[4] thereby giving American consumers and businesses the illusion of greater availability of oil when just the opposite was occurring. Internationally, by 1970 excess producing capacity outside the OPEC countries had virtually disappeared, just as production had peaked in the United States and Canada. And Libya's successful negotiations in 1970 with major oil companies marked the beginning of a significant shift in power between the international oil companies and the Middle East oil-producing states, with the latter enhancing their bargaining positions substantially.

Accordingly, economic development around the world, coupled with U.S. government–manipulated domestic oil pricing, brought a serious vulnerability to energy-importing states in general and to the United States in particular. The United States built a society that resided far from work, drove gas-guzzling automobiles, and lived in energy-inefficient homes. The oil shock of 1973 was extremely disruptive and raised energy and related prices in a U.S. economy that had already been steadily inflating since the mid-1960s. In August 1971, more than two years before the oil shock, President Richard M. Nixon had invoked price controls to contain inflation. Although the Netherlands and the United States were the two targets of the embargo, the entire world was hit with sharply higher oil costs as a result of the 1973 oil crisis.

The link between imprudent U.S. economic policies and the subsequent political and economic crisis cannot be overstated. Indeed, "an 'energy crisis' was developing . . . long before the October 1973 war."[5] In 1971, in Teheran, the OPEC producers negotiated a five-year agreement with the oil companies for higher prices. But in the face of swollen demand, the "Teheran Agreement was abrogated before the ink dried."[6] Although numerous reasons for the tight market for oil existed, "the most important, by far, was the rapidly growing U.S. demand."[7] By 1972 U.S. consumption was already pushing world demand beyond planned production, refining, and transport capacities. By late spring of 1973 oil company executives were warning of a coming crisis, but "the American government seemed to discount the seriousness of the threat."[8] By the summer OPEC was calling for a conference to again amend the five-year agreement.

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When war broke out in the Middle East in October 1973, an OPEC delegation had been in Vienna negotiating with the big oil companies for yet another round of price increases. The timing was fortuitous for Arab suppliers, who would drape their price-raising production cutbacks in the flag of Pan-Arab rhetoric. Acting opportunistically, non-Arab cartel members went along for the ride. The oil companies were unable to respond, while their governments' prime concern focused on "cooling" the Arab-Israeli conflict and avoiding a superpower confrontation. So the October price increases were followed by another set of price hikes in December. In a very short time, world oil prices had jumped enormously. The price refiners paid for crude oil, for example, averaged only $3.58 a barrel in 1972. By 1974 the corresponding figure was $9.07.[9]

Instead of abandoning the price control system, which had led to U.S. vulnerability, the government merely raised price ceilings and resorted to a variety of rationing devices and mandatory allocation schemes to manage the shortages created by continuing controls. Paul MacAvoy, author of *Energy Policy: An Economic Analysis,* aptly summarized the U.S. economic policy response:

> While the world prices went up more than 200 percent, United States crude prices increased only 56 percent because of federal ceilings on domestic product prices. . . . The controlled domestic prices increased slowly. . . . United States crude prices never caught up with, but rather were at 60 percent of, the international crude prices at the end of the decade.[10]

The major impetus for the newfound emphasis on economic security was the 1973 OPEC oil embargo and the economic trauma of the 1970s.

Despite the embargo, U.S. oil stockpiles fell only slightly, and, by March 1974, they were growing again.[11] At the time, that fact was not widely known by the public, nor was it a source of great comfort because future U.S. needs, prospective price increases, and other variables were totally unknown. Indeed, the OPEC embargo was not terribly effective—supplies meant for other consuming countries were diverted to the United States. But bureaucratic errors worsened America's situation. As MacAvoy noted, "regulation created the effects of the embargo . . . and the FEO [Federal Energy Office] gets the credit for the energy crisis perceived by consumers in 1974."[12]

The U.S. government attempted to counter the negative effects of the oil price shock with expansionary monetary and fiscal policies designed to reduce—through high levels of aggregate spending—the unemployment associated with the oil price shock. Also, a variety of jawboning public affairs campaigns cajoling business and labor to hold prices and costs down were employed, all to little effect.

Major oil price increases again occurred toward the end of the 1970s. These had several sources. Domestically, U.S. demand remained artificially stimulated by continuing price controls. Their partial easing in 1979, however, provided a short-term impetus to higher domestic prices. Second, having witnessed real oil prices eroded by continuing global inflation, OPEC attempted to implement production cutbacks. Such price-increasing endeavors were greatly assisted by the Iranian revolution, which probably disrupted world oil supplies twice as much as did the disruption associated with the October 1973 Arab-Israeli War. Finally, all of those price-increasing actions fueled a speculative panic in global oil markets, which itself became yet another source of higher prices. Accordingly, severe recession and rapacious inflation—and their mental association with oil price hikes—seem to have instilled a permanent and lurking fear in American policymakers and the public. That fear has fueled our questionable changes in national security perspective.

Far too much of the economic debacle of the 1970s has been attributed to OPEC and the price hikes and far too little to U.S. government policies—both pre- and postembargo. Economist Douglas Bohi estimated that the petroleum shortages of the 1970s reduced gross domestic product only .35 percent.[13] At the macroeconomic level the combination of easy money and budget deficits only guaranteed that inflation, high interest rates, and financial dislocations would worsen—thus adding to the damage that OPEC originally imposed. Indeed, John Kenneth Galbraith correctly pointed out that the recipients of swollen OPEC revenues—by pulling enormous amounts of purchasing power out of the United States and putting less back into the U.S. economy through their purchases—had actually imposed a *deflationary* pressure.[14] Absent government efforts, some degree of deflation—not inflation—would have resulted. According to Jack Guynn, president of the Federal Reserve Bank of Atlanta: "After the major oil price shocks . . . the Fed eased monetary policy . . . and the inflation that ensued was entirely predictable. But it was the monetary policy response, not the oil price increase, that led to inflation."[15] Eugene Guccione, an energy specialist, succinctly noted that the energy crisis was triggered by the government's good intention—the idea that energy *should* be cheap—and worsened by its use of compulsion—government price controls—to achieve that goal.[16]

Even today, however, these facts are hardly common knowledge. Accordingly, the catastrophic economy of the 1970s and early 1980s is still attributed almost entirely to oil shocks. In the post-1973 period, the specter of nefarious Middle Eastern sheiks again clubbing us with their oil weapon or extracting diplomatic and foreign policy concessions merely by implying that threat seemed to become embedded in our national psyche. Additionally, the 1970s ended with further significant oil price increases as America lost Iran—one of its "twin pillars" in the oil-producing region—to forces seemingly opposed in every way to U.S. interests and values. The 1980s then began with a severe—albeit brief—recession, which was shortly followed by the most significant economic downturn since the 1930s. Finally, the nation was regularly exposed to a large and vocal body of alleged "experts," whose calamitous lamentations alternated between "the world is running out of oil" and "OPEC is going to get us again." Accordingly, the fear became embedded, and oil, a disastrous economy, and national security became intertwined.

Economic Security as a National Security Goal

In what was widely interpreted as a saber-rattling exercise, one later repeated by Secretary of State Henry Kissinger, President Gerald R. Ford declared in September 1974, "Throughout history, nations have gone to war over natural advantages such as water or food."[17] America was uneasy, and politicians sensed that the public wanted its fears addressed. By the mid-1980s the world economy was increasingly interconnected, and some people feared U.S. "dependence" on goods from other countries. It did not take policy analysts—and others—long to further embellish the economic security argument with suggestions that faltering overseas economies were ripe for communism or radical Islamic fundamentalism or that glaring global income inequalities might easily plunge have-not nations into war against the "haves."

Of course, failing overseas economies may indeed become politically unstable and susceptible to radicalism, either secular or religious. But America's military might can do little to bolster structurally twisted and institutionally flawed economies. On the contrary, economic problems, both here and abroad, cry out for economic solutions—not military ones. The kernel of truth—in both the "faltering economies breed radicalism" argument and the U.S. economic vulnerability lamentation—has been mixed with much fear and fiction.

Thus inspired, the U.S. military fashioned, in the late 1970s, a Rapid Deployment Joint Task Force, the precursor to the Central Command (CENTCOM), to "protect" Middle

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Eastern oil supplies and their somewhat precarious oil-producing regimes. Indeed, by the second half of the 1980s the merger of economics and national security in the public's mind was so far advanced that several opinion polls found many U.S. citizens believing that Japan was more of a threat to America's security than was the Soviet Union.[18] The promotion of economic goals as national security objectives received an additional bureaucratic boost early in the Clinton presidency with the establishment the National Economic Council—although the original intent was probably just the opposite, to emphasize economic issues so that they would rival security issues in importance.

Finally, many independent organizations involved in national security issues as well as think tanks specializing in the Middle East reflected and abetted this merger of economic security and national security.[19] Indeed, many of the think tanks were traditionally viewed as somewhat obscure scholarly organizations often deemed to be studying arcane civilizations in a deserted corner of the globe. Suddenly, however, oil became universally acclaimed as a strategic good. Television interviews were requested of scholars of the Middle East and microphones were shoved in their faces. Oil and perceived oil power had given their corner of the world the importance that they believed it truly deserved. Their region was transformed from relative obscurity to a most visible, vital U.S. interest.[20]

Economic Problems Warrant Economic Solutions

As is so often the case, actions and policies inspired by fear were terribly misguided. As noted, most of the economic ills of the 1970s and early 1980s derived not from oil shocks per se but instead from inappropriate monetary and fiscal policies and other policy failures. The economic costs of the oil shocks were nowhere near as great as imagined. And the world has not run out of oil or any other critical commodity. Indeed, virtually all commodities are more abundant today, as attested to by their lower prices, than they were 30 years ago—thanks to advancing technologies and market-directed allocations.[21]

The best way to address economic challenges is through good economic policy, not military means. Stockpiling, more realistic prices for oil, incentives for energy conservation that such pricing provides, and similar measures improve supply and demand outcomes and reduce national security vulnerability. Years after the oil embargo a variety of useful economic and energy policy changes—including price deregulation—created a new environment for oil pricing. Today nominal oil prices, seemingly so (and, to some, unacceptably) high, are about the same level as in 1990–91 during the Kuwait crisis, and lower than in the 1985–86 period.

Inflation-adjusted numbers are even more revealing. With just a few exceptions, the constant dollar cost of energy has declined almost continuously since 1981. For oil in particular, the average inflation-adjusted U.S. price in 1999 was lower than in any year since 1974, with just two exceptions (both in the 1990s). And the relatively depressed 1998 cost was the lowest real price in more than 50 years.[22] The same cannot be said for a college education or a meal at a good restaurant. Indeed, even at today's "outrageous" prices, a gallon of gasoline sells for less than a gallon of Coca Cola, milk, bottled water, or even discounted mouthwash (about $5.89 a gallon). Moreover, the amount of oil consumed per billion dollars in real GDP declined nearly 37 percent between 1973 and 1993,[23] a trend that has continued and is likely to accelerate as the Internet economy spreads. Finally, when measured in terms of work time at the average manufacturing wage, the price of gasoline has been declining almost continuously since the 1920s. Even with relatively recent price increases, in 2000 the "average work time needed to buy a gallon of gasoline rose just two minutes from its all-time low of 4.2 minutes at the end of 1998."[24]

Although neither Saddam Hussein nor Iran's rulers find favor with the United States, they are desperate to sell their oil. Indeed, in 1998 Iraq was our eighth largest supplier of crude oil. The entire world "drinks" from what is essentially one global pool; any refusal to sell to the United States while supplying other countries simply releases some other seller's oil to come here. In any case, America is much less directly dependent on Middle East supplies today than it was in the early 1970s. Venezuela and Saudi Arabia tend to alternate as our number one and number two suppliers, with Mexico in third place and Canada just behind in fourth place.

In short, today's realities are light-years away from both the situation in the 1970s and the chilling future scenarios that were depicted in those dreary days. Indeed, the importance of oil to economic growth has undergone recent "laboratory" testing. The price hikes of 1999–2000, coupled with a serious decline in the foreign exchange value of the euro, imposed a crude oil price increase on Germany of 211 percent from the fourth quarter of 1998 through the third quarter of 2000.[25] Nonetheless, economic growth—with falling inflation and falling unemployment—proceeded. Yet America steadfastly clings to perceptions formed in the 1970s, and national policies continue to reflect oil paranoia. This inertia seems like another example of preparing for the last war.

Even more important, there are standard economic ways and means to address shortages and reliability of supply issues. Using or threatening to use military force is costly, cumbersome, and inappropriate. If supplies of vital items tighten and their prices rise, the U.S. economy will of course be adversely affected and forced to make adjustments to mitigate welfare losses. When such discomfort emanates from crop failures, labor problems, bad weather, earthquakes, and so forth, we do not normally feel compelled to call on our national security establishment to address the problem.[26] U.S. society lets the economy address such issues, in full recognition that to do otherwise would probably degrade other military missions and achieve the economic goals very inefficiently, if at all. As noted, oil disruptions can be mitigated by such means as stockpiling, futures contracts, diversifying the supplier base, and relaxing regulatory restrictions. Allowing higher market prices will automatically produce increased supplies and simultaneously encourage judicious usage. The "pain" of such price hikes can be substantially mitigated by reduced gasoline taxes—the average combined federal and state tax per gallon of 38 cents allows plenty of "wiggle room."

Effective market solutions—rather than military ones—are readily available. In a market system, they are used to prevent shortages of goods and commodities. Why, then, is oil treated differently? Clearly, the specter of the 1970s is still haunting America. It needs to be exorcised.

Defining "Strategic" Goods

U.S. policymakers need to ask whether it is worth spilling American (or foreign) blood to keep commodity prices at "acceptable" levels. If the United States is willing to risk the lives of Americans to ensure adequate oil flows at reasonable prices, perhaps it should be willing to do so for access to coffee. U.S. society values coffee more highly than petroleum (compare at their relative per unit prices).

An argument can be made that coffee is a luxury and a final product so that an interruption in its flow would not be that disruptive; oil, however, is a critical input to the whole industrial establishment. Although that is true, semiconductors would also clearly fall into the critical input category—as would a number of raw materials. Indeed, America's expenditures on semiconductors are approaching $200 billion annually, some 35 percent more than we spend on oil. Semiconductors and other electronics components are vital to all economic sectors in the new information economy. For example, even the automotive industry, an "old economy" industrial sector, consumes more than 5

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percent of semiconductor output. Given the crucial role of semiconductors in the economy, not to mention their importance for national security (the Pentagon has more than just a few systems dependent on them), it would not be difficult to conjure up a worst-case scenario similar to that involving oil. After all, the United States imports significant amounts of semiconductors, and around 80 percent come from the Far East. Interestingly, around 72 percent of computer mouses and 65 percent of keyboards come from only one Asian state (Taiwan).[27] Moreover, that region has regimes hostile to U.S. interests and is subject to various kinds of instability.

If the United States is willing to put its people in harm's way for oil, why not for electronic and other "critical" imports? A very large number of goods contribute significantly to the "economic well-being of our society." We cannot use military power to ensure access to all of them. It is no easy job to discern which commodities are the most significant. Indeed, defining economic goods as "strategic" is always difficult and becomes ever more so as technology progresses and the world becomes more complex and interdependent.

Moral Considerations

Perhaps even more important than earlier arguments are the moral considerations surrounding whether the United States *should* attempt to guarantee access to resources by military means. The moral issues, surprisingly unexamined, are nothing less than appalling. For example, in July 2000, in a lecture to about 300 military reserve officers, the author mentioned high gasoline prices in the Midwest and asked how many from that region were just "dying to have lower gas prices." Many hands were raised. The author then rephrased the question, asking, "How many of you would be willing to die for lower gas prices, or put your children's lives at risk?" Although the audience was a very patriotic group, not a single hand was raised. Indeed, the rephrasing casts the issue in a completely different and more appropriate light—blood for oil. If viewed from this more sobering perspective, the public's cost/benefit calculations are likely to change.

Higher oil, coffee, or semiconductor prices would reduce the real standard of living in our country. Our economic well-being would be slightly impaired. But putting members of our armed forces in harm's way to protect our standard of living, much less merely one component of that standard of living, is questionable. It is one thing to fight for freedom and human rights or to deter and defeat military aggression, but spilling blood to ensure that we get cheap goods—for example, to ensure our right to Sunday driving—is quite another story. As noted, many nonmilitary options exist for mitigating the pain of supply disruptions, including allowing the market to reallocate resources. It is wrong to use our armed forces against people in foreign nations so that we can get a better deal.

Such a concept is morally objectionable, as demonstrated by plenty of historical precedents. For example, Imperial Japan's conquests under the euphemistic "coprosperity sphere" were driven mainly by fear of losing raw material supplies for its industrial establishment. Such motivations and rationalizations, so morally unacceptable to Americans, are today accepted as part of our own national security strategy. Indeed, in the 1997 national security strategy document, "The free flow of oil" was not only deemed essential, it had to be at "reasonable prices."[28] Yet few people in the United States have been outraged; there has been no groundswell of moral indignation.

Venezuela—one of our top two overseas oil suppliers—is led by an unpredictable, left-leaning government whose leader has consorted with the likes of Saddam Hussein and Fidel Castro. A scenario involving major oil price hikes by Venezuela is not unimaginable. Since "unreasonable" prices would probably emerge from the scenario, the 1997 national security strategy shows a willingness to send in troops. Such an action would not be in consonance with American—or global—

norms of morality. And it would not enhance the diplomatic prestige or the global leadership role of the United States. It is therefore natural to wonder why defending oil is in our national security strategy.

The Practical Issue: No Free Lunch

Vital national interests are difficult to define, which leads to continuing efforts to expand their scope. For example, former vice president Al Gore and environmental groups pushed to have the cessation of irreversible, large-scale environmental damage listed as a vital national interest.[29] The Joint Chiefs of Staff opposed that expanded interpretation. More recently, efforts were made by African regional specialists to have access to important mineral resources declared a vital U.S. interest. Both the Department of Defense and economists from the Clinton administration rejected that attempt.

Every extra theater of operations and every new mission complicate the military planning process and draw resources away from competing demands. An estimated $30 billion to $60 billion a year has been expended to safeguard Middle East oil supplies, even as oil has become increasingly abundant (as signaled by the long-term decline in prices).[30] That cost is high absolutely and is enormously high relative to the total value of U.S. oil imports from the Persian Gulf, which averaged only $10.25 billion annually in the period from 1992 to 1999.[31] The financial commitment is also a huge burden for the Pentagon. Tradeoffs between the readiness, sustainability, and modernization of the armed forces have become much more acute because resources that might have been allocated to these ends went elsewhere. Operations tempos have substantially increased throughout the services as they have stretched their resources—thus harming morale, operational capabilities, and readiness as well as exacerbating retention problems.[32]

Strategic direction becomes muddled when national security, prosperity, human rights, the rule of law, and environmental concerns are wrapped into one package. Indeed, U.S. national security documents do not list priorities—thus implying an equality of interests, which is surely not the case. Moreover, "bolstering" or "maintaining" prosperity is a broad goal and might mean that anything that diminishes our affluence is a national security issue. Accordingly, if access to oil or minerals is really a vital national interest, the U.S. military must be able to respond to instability in each and every region of the world. That requirement is simply too ambitious, and even the attempt to meet it dilutes military resources and planning capabilities.

Finally, formal published declarations of American resource needs (for example, the "free flow of oil" as a vital U.S. national interest) are likely to increase the probability of the contingencies the United States is hoping to avoid. To the degree that the United States formally announces oil security as a vital national interest, for example, it tacitly declares the vulnerability of its oil supply. Unfriendly elements might come to believe that an oil disruption anywhere will seriously damage either the U.S. economy or U.S. national security posture—exactly the scenario the United States wishes to avoid.

If, on the other hand, we undertake economic approaches to ensure resource supplies—rational pricing, diversified sourcing, and market-determined resource allocations—we will be less vulnerable. Defending resources such as oil would not need to be part of our national security strategy. Moreover, the incentive for foreign nations to threaten U.S. oil supplies would be relatively low because the likely long-term damage to the United States would be limited.[33]

If the United States is willing to put its people in harm's way for oil, why not for electronic and other "critical" imports?

Time for a Reassessment

The likelihood of a significant denial of oil to the United States is very low. Market forces themselves are generally sufficient to prevent a serious crisis.[34] There is no need to

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use military force or to divert large portions of Pentagon resources to guarantee cheap oil or to achieve any other economic end. As Barry Buzan, the author of *People, States, and Fear,* has noted, “Although the case for economic threats to be counted as threats to national security is superficially plausible, it must be treated with considerable caution.”[35] Unfortunately, that caution has been lacking in recent decades.

That line of reasoning does not deny that history is replete with economically motivated military onslaughts, such as Saddam’s invasion of Kuwait. The immorality of such actions is universally recognized. But when a democratic superpower espouses strategic euphemisms to veil similar military interventions, both the costs and the immorality become obscured. It is time for America to end its paranoia about fuel supplies. If we really want economic security, there are economic ways to attain it. Economic solutions will cost far less—when all human, military, and financial costs are totaled—than military solutions.

Economics has an important role in grand strategy. In America’s national security strategy, however, economics should factor in as a funding constraint; a tool for resource allocation; and a vehicle to assess the costs of our goals, options, and alternative national security strategies. But economic security itself is best addressed by the market. The elimination of prosperity and economic security from our national security strategy “to do” list will eliminate some costly financial drains and remove significant “clutter” from an inherently difficult process. Real national security will be enhanced by eliminating unimportant goals and focusing on more important matters. America is in the 21st century, not the 1970s. It is time to reexamine and reformulate U.S. goals in national security policy.

Notes

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1. White House, *A National Security Strategy for a New Century* (Washington: Government Printing Office, December 1999), p. 1.

2. Ibid.

3. White House, *The National Security Strategy of the United States* (Washington: Government Printing, January 1988), p. 1.

4. James M. Griffin and Henry B. Steele, *Energy Economics and Policy,* 2d ed. (New York: Harcourt Brace Jovanovich, 1986), p.16.

5. Joel Darmstadter and Hans H. Landsberg, “The Economic Background,” in *The Oil Crisis,* ed. Raymond Vernon (New York: W.W. Norton, 1976), p. 15.

6. Griffin and Steele, p. 119.

7. Edith Penrose, “The Development of Crisis,” in *The Oil Crisis,* p. 53.

8. Robert B. Stobaugh, “The Oil Companies in the Crisis,” in *The Oil Crisis,* p. 184.

9. Energy Information Administration, *Annual Energy Review, 1999* (Washington: U.S. Department of Energy, July 2000), p. 157.

10. Paul W. MacAvoy, *Energy Policy: An Economic Analysis* (New York: W.W. Norton & Company, 1983), p. 20.

11. By the end of February 1974, oil stockpiles were only 6.8 percent below the levels of the previous September and 8 percent below those at the end of October.

12. MacAvoy, p. 63. See also pages 17–77 for an excellent analysis of oil regulations and their economic effects.

13. Cited in Jerry Taylor, “Oil Not Worth the Fight,” *Journal of Commerce,* September 1, 1998, p. 4A.

14. John Kenneth Galbraith, *Money: Whence It Came, Where It Went* (Boston: Houghton Mifflin, 1975), pp. 299–300.

15. Jack Guynn, “Good Policies Lead to a Strong, Stable Economy,” *NABE News,* November 1997, p. 7.

16. See Eugene Guccione, “The Government’s Energy Crisis,” *The Freeman,* September 1975, p. 541.

17. Quoted in “Realism on Oil Prices,” editorial, *Business Week,* September 28, 1974, p. 116.

18. A March 1988 poll, for example, mentioned "military adversaries like the Soviet Union" and "economic competitors like Japan" and asked Americans which they deemed "the greater threat to our national security." Fifty-nine percent of the respondents listed economic competitors; only 31 percent listed military threats, and 8 percent found them equally threatening to America's national security. See "Americans Talk Security," University of Connecticut Roper Center, Public Opinion Online, 1989, http://web.lexis-nexis.com.

19. For example, in mid-1998, the secretary of defense chartered the U.S. Commission on National Security/21st Century to "provide the most comprehensive government-sponsored review of national security in more than 50 years." See International Media Corporation, *Defense and Foreign Affairs' Strategic Policy,* November 1999, p. 2. The commission later listed energy as its fifth most important theme.

20. There is no denying that oil had been a concern in earlier times. See Mira Wilkins, "The Oil Companies in Perspective," in *The Oil Crisis,* pp. 164–72, for an excellent discussion. The point to be emphasized is that a valid, behind-the-scenes concern became elevated to the status of a very public, pressing, and almost obsessive vital national interest.

21. For a more detailed discussion, see Donald L. Losman and Shu-jan Liang, *The Promise of American Industry* (New York: Quorum Books, 1990), pp. 94–95; and Robert L. Bradley Jr., "The Increasing Sustainability of Conventional Energy," Cato Institute Policy Analysis no. 341, April 22, 1999.

22. See Energy Information Administration, p. 151.

23. Jack L. Hervey, "The 1973 Oil Crisis: One Generation and Counting," *Chicago Fed Letter,* October 1994, p. 3.

24. W. Michael Cox, "High Energy Costs May Pinch, but They Won't Wreak Havoc," *Investor's Business Daily,* November 20, 2000, p. A24.

25. See William R. Emmons, "Inflation, Exchange Rates, and Oil Prices," *International Economic Trends,* Federal Reserve Bank of St. Louis, November 2000.

26. We do, of course, intermittently do so—for example, when the National Guard drops hay to cattle or horses caught in snow or provides assistance to control floods and forest fires—when that can be done at little cost to our national security obligations.

27. World Technology Evaluation Center, "WTEC Panel Report on Electronics Manufacturing in the Pacific Rim," May 1997, chap. 5, p. 3, http://loyola.edu/em/toc.htm.

28. White House, *A National Security Strategy for a New Century* (Washington: Government Printing Office, May 1997), p. 26. The passage reads, "maintaining the free flow of oil at reasonable prices." Mercifully, the price specification was dropped from subsequent issues of that document, but the concept is still implicit.

29. See Paul Benjamin, "Green Wars: Making Environmental Degradation a National Security Issue Puts Peace and Security at Risk," Cato Policy Analysis no. 369, April 20, 2000.

30. See Graham E. Fuller and Ian O. Lesser, "Persian Gulf Myths," *Foreign Affairs* 76, no. 3 (May–June 1997): 43.

31. See Energy Information Administration, p. 155. Persian Gulf oil supplies to the entire world, of course, were much larger, averaging $79.25 billion annually from 1996 to1999. But even at this larger number, it is certainly not a bargain to defend militarily. See Energy Information Administration, "OPEC Resources Fact Sheet," March 2001.

32. Currently, about 7,000 Air Force personnel are deployed in the Middle East. Since the end of the Gulf War, the figure has usually been between 10,000 and 28,000 personnel. Air Force chief of staff Gen. Michael Ryan told the Joint Chiefs of Staff of the need to slow Air Force operations tempos, which have been raised by overseas deployments. See William Matthews and Bruce Rolfsen, "Ryan to JCS: Give Us a Break!" *Air Force Times,* July 12, 1999, p. 8.

33. OPEC does have the ability to induce short-term price spikes when exogenous events occur. But in the long term, with a free market, the U.S. economy will adjust to higher prices. In addition, if OPEC maintains a long-term price of oil that is too high, conservation and alternative fuels may permanently reduce the demand for oil.

34. A worst-case scenario, assuming that Saddam Hussein had been able to retain Kuwait and grab Saudi Arabia and the United Arab Emirates as well, estimates that the net loss to the U.S. GNP would have been "only about half of 1 percent . . . an additional 24 cents per gallon." See David R. Henderson, "Do We Need to Go to War for Oil?" Cato Institute Foreign Policy Briefing no. 4, October 24, 1990, p. 3.

35. Barry Buzan, *People, States, and Fear* (Chapel Hill: University of North Carolina Press, 1983), p. 81.

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