

U.S. TRADE POLICY AND NATIONAL SECURITY

Thomas D. Willett and Mehrdad Jalalighajar

Introduction

There is a long history of intellectual interest in and public concern with the interrelationship between trade policy and national security. In general, mainstream economists with their emphasis on efficient resource allocation and economic prosperity have favored liberal trade policies. Those adopting a broader perspective on international relations, however, have argued for various measures to restrict international trade to promote self-sufficiency, reduce strategic vulnerability, and enhance national power. Although the latter view typically reflects a nationalistic perspective, there is also a tradition that fears international trade will stimulate conflict and conquest. From this perspective, relatively small self-sufficient groups are seen as the basis for a harmonious peaceful world. The work of Plato reflects this view, and its continuing popularity among some utopian thinkers is reflected in E. F. Schumacher's *Small is Beautiful*.¹

We believe that there are some genuine national security arguments for deviating from free trade. As Adam Smith well put it,

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¹For a discussion of Plato's view on this issue, see Will Durant, *The Story of Philosophy* (New York: Washington Square Press, 1952), pp. 19-20 and 37-38; and E. F. Schumacher, *Small is Beautiful* (New York: Harper and Row, 1973).

“defense is more important than opulence.”² However, trade restrictions are seldom the most efficient way to deal with externalities associated with national security. (The prohibition of sales of advanced military technology and hardware to potential enemies is the major exception.) Many of the trade restrictions actually imposed in the name of national security have merely promoted protectionist interests or unwise foreign policy strategies rather than U.S. security objectives. For example, the U.S. oil import restrictions during the 1960s drained our domestic oil reserves and increased our vulnerability in the 1970s. The use of economic sanctions also has frequently been counterproductive. Therefore, the conflict between liberal trade objectives and sensible foreign policy is not nearly as great as is often suggested.

Liberal Trade vs. National Security Objectives

It is easy for economists to feel that free trade and national defense objectives necessarily conflict. Strategic export controls, grain embargoes, Olympic boycotts, oil import quotas, and arguments for protection of the steel and automobile industries are just a few examples. On balance, however, it seems likely that national security concerns have done more to promote than to retard trade liberalization policies. Indeed, even though the direct economic damage of retaliatory actions, which import restrictions are likely to induce, is an important argument for free trade, the linkage of such effects to broader national security objectives has perhaps been an even more powerful complementary consideration.

Counter to beliefs that self-sufficiency promotes peace and trade restrictions enhance national security is the powerful set of arguments that freer international trade promotes peace and makes good neighbors. Due in large part to the acceptance of free trade principles by Secretary of State Cordell Hull, liberal trade policies became an important ingredient in restoring the economic prosperity of the West and combating communism in the post-World II period.³ As a major bipartisan plank of U.S. foreign policy, however, liberal trade policies

²Adam Smith, *The Wealth of Nations*, Modern Library ed. (New York: Random House, 1937), p. 431.

³For more detailed discussion, see David Calleo and Benjamin Rowland, *America and the World Political Economy* (Bloomington: Indiana University Press, 1973); and Lawrence Krause and Joseph Nye, “Reflections on Economics and Politics of International Economic Organizations,” in *World Politics and International Economics*, ed. Fred Bergsten and Lawrence Krause (Washington, D.C.: Brookings Institution, 1975), pp. 323–42. We do not deny that Hull had a considerably overoptimistic view of the contributions that liberal trade policies could make to promoting peace.

did not embrace all aspects of free trade. The adoption of strong restrictions on trade with enemy countries, including a complete prohibition of trade with communist Cuba, became part of the free-trade strategy, as did the acceptance and even encouragement of economic discrimination against the United States by our allies in the Common Market.⁴

Although the national security-based strategy has had some negative effects,⁵ it must be judged an overall success. This strategy helped promote the successive rounds of postwar tariff reductions through the General Agreement on Tariffs and Trade (GATT), and helped counter pressures for selective tariff, quota, and regulatory protection of domestic interest groups.

The increased pressures for protectionism of the 1970s and 1980s are often cited as evidence of a new era of mercantilism, but this new mercantilism differs fundamentally from the old variety. Old-style mercantilism emphasized the pursuit of power and plenty through a strong national government. The recent increase in protectionism has been much more a result of relatively weak national governments succumbing to powerful domestic interest groups, the very antithesis of traditional mercantilism.⁶

⁴On our relationship with the Common Market, see Randall Hinshaw, *The European Community and American Trade: A Study in Atlantic Economics and Policy* (New York: Praeger Publishers, 1964); and Leland B. Yeager and David Tuerck, *Trade Policy and the Price System* (Scranton, Pa.: International Textbook Company, 1966), chaps. 15 and 16. On trading with the enemy, see Yeager and Tuerck, *Trade Policy*, pp. 129–30; and their *Foreign Trade and U.S. Policy* (New York: Praeger Publishers, 1976), pp. 155–57; Jonathan B. Aranson, “Technology Exports Can Hurt Us,” *Foreign Policy*, 25 (Winter 1976–77): 180–94; Henry Kissinger, “Trading With the Russians,” *The New Republic* (2 June 1982): 14–16; and G. Warren Nutter, “Economic Warfare,” in his *Political Economy and Freedom: A Collection of Essays* (Indianapolis: Liberty Press, 1983), pp. 222–36.

⁵Common markets are clearly adverse to the narrow, short-term economic interests of the United States. But from a global perspective, it is not possible to say whether the formation of common markets, with their free internal trade and common external tariffs, are moves toward or away from free trade. Trade is both created and diverted, and the policy changes that would have occurred in the absence of the common-market arrangements are often unclear.

On the economic effects of the European Common Market, see Bela Balassa, *Trade Liberalization Among Industrial Countries: Objectives and Alternatives* (Hightstown, N.J.: McGraw-Hill, 1967).

⁶See Ryan C. Amacher, Robert Tollison, and Thomas D. Willett, “The Divergence Between Trade Theory and Practice,” in *Tariffs, Quotas and Trade: The Politics of Protectionism*, ed. Walter Adams, et al. (San Francisco: Institute for Contemporary Studies, 1979), pp. 55–66; and Fred Bergsten, Robert Keohane, and Joseph Nye, “International Economics and International Politics,” in Bergsten and Krause, *World Politics*, pp. 3–36; and Stephen D. Krasner, *Defending the National Interest* (Princeton: Princeton University Press, 1978), pp. 5–34. We should note that the old mercantilism was

There are several types of national security considerations for restricting trade.⁷ The narrowest type involves attempts to provide for the maintenance and potential expansion of materials and productive capacity to meet direct military needs. The counterpart of this consideration is to make the attainment of this objective more difficult for potential enemies.⁸

Broader considerations of national security go beyond direct military needs to the general productive capacity of the economy. For example, concerns over disruptions of oil supplies have gone far beyond the question of whether the United States could undertake military operations in a national emergency. Similarly, concern about U.S. exports to communist nations extends well beyond attempting to block access to weapons technology and strategic materials. Some have opposed any trade that strengthens the Soviet economy, even if it benefits the United States or increases our short-run dependence on communist countries.

An even broader view of national security sees the regulation of international exchange as part of a grand political, economic, and military strategy to achieve national objectives. Those holding such a position differ widely over the appropriate limits of U.S. policy objectives. Some favor a noninterventionist defensive posture, but others advocate aggressiveness to promote the U.S. power position and induce foreigners to comply with our objectives. Economic sanctions and concessions then become bargaining chips in a global power game.⁹

not completely free of the special interest pressures that have generated the recent increase in protectionism. See Barry Baysinger, Robert Ekeland, and Robert Tollison, "Mercantilism as a Rent Seeking Society," in *Towards a Theory of the Rent Seeking Society*, ed. James Buchanan, Robert Tollison, and Gordon Tullock (College Station, Tex.: Texas A&M University Press, 1980), pp. 235-68.

⁷For useful overviews and extensive references to the literature on this subject, see Franklyn D. Holzman and Robert Leguold, "The Economics and Politics of East-West Relations," in Bergsten and Krause, *World Politics*, pp. 275-320; Charles Kindleberger, *Power and Money* (New York: Basic Books, 1970); Klaus Knorr, *The Power of Nations* (New York: Basic Books, 1975); Klaus Knorr and Frank Trager, eds., *Economic Issues and National Security* (Lawrence, Kan.: Allen Press, 1977); Benjamin Cohen, *American Foreign Economic Policy*, Part IV (New York: Harper and Row, 1968); and Yeager and Tuerck, *Trade Policy and Foreign Trade*.

⁸We favor a narrow definition of U.S. power and security interests. We find views that "the major concern of the state is prestige," and that "the means to prestige is power" to be distressingly accurate as a description of motivation, but exceedingly dangerous as a normative prescription (see Kindleberger, p. 57).

⁹An important intermediate case, which will not be dealt with in this paper, concerns the possible need for government regulation to counter foreign monopoly positions caused, for example, by state trading. On this problem see Jacob S. Dreyer, "Countervailing Foreign Use of Monopoly Power," and Comments by Franklyn Holzman,

Theory versus Practice

All of these national security considerations may offer legitimate reasons—based on externalities or public goods—for government policies that alter the allocation of resources.¹⁰ The economists' case for free trade is a presumption, not an ironclad rule. But accepting a point in theory is one thing; seeing how it has been applied in practice is another.

Even a cursory glance at the history of postwar trade restrictions, imposed by the United States in the name of national security, makes us question whether in practice a policy of complete free trade (except for military secrets, narrowly defined) might not have served our security interests much better. Not only were U.S. trade policy approaches often inefficient or ineffective, they were often counterproductive. For example, the oil import quotas imposed by the United States during the 1950s and 1960s made the U.S. economy more vulnerable to the oil shocks of the 1970s.¹¹ If the United States had relied more heavily on cheap foreign oil during the 1960s, its short-term productive capacity in the 1970s would have been sufficient to neutralize the 1973–74 OPEC embargo. Consequently, the United States could have perhaps avoided most, if not all, of the subsequent solidification of OPEC and skyrocketing oil prices. Although the stated objective of U.S. oil import policy during the 1950s and 1960s was national security, the real intention of the program was to protect domestic oil prices. American consumers paid dearly for policies to prop up domestic oil prices, but these costs pale in comparison with the costs of strengthening the OPEC cartel.

There is an important national security rationale for government oil policies, but the appropriate strategy, both in minimizing economic costs and maximizing security benefits, is a combination of oil stockpiling and subsidies for finding and capping oil fields for emergency use. Such a strategy follows from the application of basic economic principles. When an activity like capping oil fields generates

Robert Tollison, Richard Caves, Charles Diaz-Alejandro, Roger Shields, and Edward Tower in *Challenges to a Liberal International Economic Order*, ed. Ryan Amacher, Gottfried Haberler, and Thomas D. Willett (Washington, D.C.: American Enterprise Institute, 1979), pp. 317–77.

¹⁰See Ryan C. Amacher, Robert Tollison, and Thomas D. Willett, "Tariffs vs. Quotas to Control Oil Imports: Comment," *American Economic Review* 63 (December 1973): 1031–34; and *The Oil Import Question*, A Report on the Relationship of Oil Imports to the National Security by the Cabinet Task Force on Oil Import Control (Washington, D.C.: Government Printing Office, 1970).

¹¹See James Cox and Arthur Wright, "A Tariff Policy for Independence From Oil Embargoes," *National Tax Journal* 28 (March 1975): 29–42.

marginal external benefits because it increases our security, then a subsidy will produce less economic distortion than trade restrictions. The qualification *marginal* is crucial because the levels of production or stockpiles needed for emergency or for national defense may often be below the levels generated by private market incentives alone. In such instances no government subsidy is needed.¹²

One could argue, for example, that national defense requires the United States to maintain the steel and automobile industries. However, it is not clear that national security considerations should prevent us from decreasing the size of these industries if market conditions warrant it. On the other hand, the private market will probably stockpile less than an optimal amount of oil. This will be especially true if there is a strong likelihood that price controls will be imposed on U.S. oil in the event of a major supply disruption like the OPEC embargo. In this case there is a strong argument for some government stockpiling.¹³ Although the United States has finally adopted a stockpile strategy, its implementation has been far from efficient.¹⁴

The notion that subsidies are almost always more efficient than trade restrictions, when there are domestic distortions,¹⁵ has an additional advantage: The subsidy makes the costs of the program explicit. For this reason those seeking government subsidies prefer to receive them in more disguised form. Thus, special interest groups will generally prefer a quota to a tariff, which in turn will be preferred to a subsidy—just the opposite from the way these measures would normally be ranked from a public interest perspective.¹⁶

¹²James Buchanan and William Craig Stubblebine, "Externality," *Economica* 8 (November 1962): 371–84.

¹³On this point see the recent exchange between Milton Friedman and David Teece and James Griffin in *Journal of Contemporary Studies* 4 (Summer 1982): 55–60.

¹⁴See James Plummer, "United States Oil Stockpiling Policy," *Journal of Contemporary Studies* 4 (Spring 1981): 5–21; and the contributions in George Horwich and Edward J. Mitchell, eds., *Policies for Coping with Oil-Supply Disruptions* (Washington, D.C.: American Enterprise Institute, 1982).

¹⁵See Harry Johnson, "Optimal Trade Intervention in the Presence of Domestic Distortion," in *Trade, Growth and the Balance of Payments: Essays in Honor of Gottfried Haberler*, ed. Robert Baldwin, et al. (Chicago: Rand McNally, 1965) pp. 3–34; Warner Max Corden, *The Theory of Protection* (Oxford: Clarendon, 1971); Yeager and Tuerck, *Trade Policy*, pp. 127–29.

¹⁶Under static competitive conditions, equivalent tariffs and quotas may be defined. Quotas, however, make it easier to pursue anticompetitive policies at home. And where there is monopoly power abroad, tariffs will tend to have more favorable terms of trade effects than quotas. On these points, see Richard J. Sweeney, Edward Tower, and Thomas D. Willett, "The Ranking of Alternative Tariff and Quota Policies in the Presence of Domestic Monopoly," *Journal of International Economics* 7 (November 1977): 349–62; and Thomas D. Willett, "Oil Import Quotas Are Not the Answer," *Journal of Energy and Development* 1 (Spring 1976): 240–48.

Economic Sanctions

Not all ineffective or counterproductive national security restrictions have resulted from the lobbying of special economic interests. Export restrictions are seldom politically popular at home, at least with producers, yet they have often been used to manipulate East-West trade relations. The recent grain embargo against the Soviets and the prohibition of U.S.-related firms providing goods and services for the European-Soviet gas pipeline were hardly the result of domestic political pressures. The broad definition of restricted strategic goods adopted by the United States also has resulted in lost sales and complaints from American firms throughout most of the postwar period.¹⁷ Unfortunately, the absence of protectionist causes for national security trade restrictions is no guarantee that such restrictions will promote U.S. security objectives. All of the above-mentioned measures in large part failed to achieve their intended goals. Indeed, a good case can be made that they were actually counterproductive.¹⁸

The dismal record of economic sanctions and trade restrictions in promoting national security is due to the repeated failure of policy makers to recognize three major considerations—one economic and two political. The economic consideration is that, except in unusual situations, alternative sources of supply and the transshipment of goods will nullify most of the intended effects of economic restrictions.¹⁹ A single country seldom has sufficient control over the market of an important good for a boycott or embargo to have any major impact. Moreover, in the absence of substantial market power, trade restrictions will primarily injure the country that imposed them. The restrictions limit mutually beneficial trade without producing serious hardship on the target country.

¹⁷See Joan Edelman Spero, *The Politics of International Economic Relations* (New York: St. Martin's Press, 1977), chap. 7.

¹⁸On the history of the general ineffectiveness of economic sanctions, see Margaret Doxey, *Economic Sanctions and International Enforcement* (New York: Oxford University Press, 1980); and Knorr, *Power of Nations*.

¹⁹On economic considerations, see Klaus Knorr, "The Limits of Economic and Military Power," *Daedalus* 104 (Fall 1975): 229-43; Johan Gaulting, "On the Effects of International Economic Sanctions: With Examples from the Case of Rhodesia," *World Politics* 19 (April 1967): 378-416; Margaret Doxey, "Economic Sanctions: Benefits and Costs," *The World Today* (December 1980): 484-89; Thomas Bayard, Joseph Pelzman, and Jorge Perez-Lopez, "Stakes and Risks in Economic Sanctions," *The World Economy* 6 (March 1983): 73-87; and Gary Clyde Hufbauer, *Economic Warfare: Sanctions in Support of National Foreign Policy Goals* (Washington, D.C.: Institute for International Economics, 1983), pp. 53-73.

The United States has tended to restrict a much broader range of exports to communist countries than most of our allies. The major effect of these restrictions, however, has not been to deny the Soviets access to the high-tech goods that the United States has embargoed. Instead, our trade restrictions have tended to deflect sales from U.S. to European firms.²⁰ Likewise, while the reduction in U.S. grain sales to the Soviet Union does appear to have had some adverse effects on the Soviet economy, much of the reduction was offset by additional sales from other countries.²¹ Even if all suppliers honored pledges not to increase their sales to the target countries, any importer could increase his purchases and transship them to the target country.

Some policing of transshipments may be possible, but it will seldom be fully effective. This is why proposals for the United States to lead a food war against OPEC, to combat their use of oil weapon, were ill-founded. For the same reason, although OPEC had sufficient market power to severely damage the West, it could not effectively enforce its selective embargo of sales to the United States and the Netherlands. (The apparent differential effect on the United States was due to our price control measures, not to the effectiveness of OPEC's selective embargo.)

Thus, except for strongly differentiated products, it makes little sense to apply different policies to friendly and suspect suppliers (as was done with the oil import quota system). With complete fungibility, all that matters (except for differential transportation costs) is the total restriction of supply, not the initial pattern of its distribution. Of course, there are short-term adjustment costs in most product markets, so that initial trade patterns are not entirely irrelevant. Most markets, however, are much closer to complete than to zero fungibility.

Economic considerations imply that trade restrictions, unless imposed on a broad group basis, are unlikely to seriously harm the target country. Political considerations, however, suggest that sanctions are often counterproductive.²² Unless the economic effects of sanctions are crippling, their use cannot force the target nation to change its behavior. The increased economic cost to a target government of continuing its policies seldom outweighs the political cost of appearing to give in to foreign influences. Most instances in which

²⁰See Spero, pp. 294-96; and Franklyn D. Holzman, *International Trade Under Communism: Politics and Economics* (New York: Basic Books, 1976).

²¹See Robert Paarlberg, "Lessons of the Grain Embargo," *Foreign Affairs* 59 (Fall 1980): 144-62.

²²For details, see Johan Gaulting, "Effects of International Economic Sanctions," and James Barber, "Economic Sanctions as a Policy Instrument," *International Affairs* 55 (July 1979): 367-84.

the threat of economic sanctions has been influential in changing foreign behavior have been cases of quiet bargaining and diplomacy, not the publicly visible adoption of sanctions.²³

A case can be made that the adoption of sanctions can be useful by raising the expected cost to target countries of future actions intended to harm importers. But there is little chance that such a strategy can reverse current policies in the target countries.²⁴ For the strategy to work, predictability of response must be assured. Neither President Carter's nor President Reagan's use of sanctions were characterized by this feature.

Sanctions may not only make it more difficult politically for target governments to modify their behavior, but may even induce more aggressive or repressive behavior. Governments are often influenced by a range of inner-circle views, and imposing sanctions is as likely to strengthen the hands of the hawks as it is the hands of the doves. Even with a single controlling decision maker, the imposition of sanctions may generate more annoyance than repentance, and increase the likelihood of further belligerent behavior. An extreme example is the case of U.S. economic sanctions against Japan in 1941. Some people have argued that instead of dampening Japan's expansionist policies in the Far East, the U.S. sanctions were a significant factor in Japan's decision to attack Pearl Harbor.²⁵

In general, economic sanctions need to be adopted as a common policy by a group of countries, if they are to be effective. This will often not be easy. In any sizeable group of countries there is likely to be a range of views about desirable policy strategies, and even where there is general agreement on group objectives, there is the free-rider problem to overcome.²⁶ (For example, all OPEC countries

²³See the studies in Roy Weintraub, ed., *Economic Coercion and U.S. Foreign Policy: Implications of Case Studies from the Johnson Administration* (Boulder, Colo.: Westview Press, 1982); and the discussion of how publicity killed an apparent U.S.-Soviet deal to loosen restrictions on Jewish emigration to Israel in Spero, pp. 313-22.

²⁴For the limited role that sanctions might play in Western strategy, see James P. O'Leary, "Rethinking NATO's Economic Strategy," *Journal of Contemporary Studies* 5 (Winter 1983): 51-64.

²⁵For details on economic sanctions on Japan, see Yuan-Li Wu, *Economic Warfare* (New York: Prentice-Hall, 1952), p. 267.

²⁶See James Barber, "Economic Sanctions." Domestic opposition and constraints may also be important, and failure to take these into account can lead to signals of weakness rather than strength when sanctions are adopted. On the importance of domestic political structures and constraints on international economic policies, see Peter Katzenstein, ed., *Between Power and Plenty* (Madison: University of Wisconsin Press, 1978); and Steven Krasner, "Domestic Constraints on International Economic Leverage," in Knorr and Trager, *Economic Issues and National Security*, pp. 160-81.

agree that aggregate oil supplies should be restricted, but each country wants the other to undertake most of the cutbacks required.

Unlike the unilateral decisions by President Carter to boycott the Moscow Olympics and President Reagan to prohibit the use of U.S. firms and products in the construction of the European-Soviet pipeline, decisions to impose controversial sanctions should be reached only after careful, quiet negotiations with our allies. President Reagan's decision highlighted our conflict with European allies over the right to impose trading-with-the-enemy restrictions on the foreign subsidiaries of U.S. firms, entities that most foreign countries argue fall under their laws, not U.S. laws. This is the type of national sovereignty issue on which our European allies are united in their opposition to U.S. policy. To anyone with even a cursory knowledge of the tension-filled history of this issue, it was obvious that President Reagan's decision would generate strong opposition from our European allies, even if they had doubts about the wisdom of the pipeline project. The most the U.S. restrictions could have hoped to achieve was a short delay and small increase in the cost of completing the project.

We clearly are not enthusiastic about the use of economic sanctions in promoting national security objectives. However, we do see a potentially beneficial role for the use of sanctions as a way of reducing public outcries that still more serious action be taken. Developments such as the Soviet actions in Afghanistan and Poland and the seizure of the American hostages in Iran tend to stimulate public outcries that the U.S. government do something, even if there is little that realistically can be done in the short run. Diplomatic notes and speeches in the United Nations may not be enough to pacify public outrage, while military intervention might be foolhardy.²⁷ Economic sanctions can provide the desired political appearance of doing something, but with less risk that this will lead to military involvement than other alternatives. Thus, the use of sanctions may at times be highly effective in meeting domestic policy objectives without greatly increasing the risk of war.

Implementing such a strategy, however, would require sanctioning a very different set of activities compared to the traditional strategy of trying to inflict substantial economic damage on the target country. Activities of high symbolic (but low economic) importance should be sought. For both policy approaches, however, care should be taken to select those actions that our allies are likely to support.

²⁷For details, see Fredric Hoffman, "The Functions of Economic Sanctions: A Comparative Analysis," *Journal of Peace Research* 4 (1967): 140-60.

Conclusion

While there are legitimate national security considerations for restricting free trade, we believe that the most appropriate form of government policy will usually not involve trade restrictions. In our judgment, a large part of the trade restrictions implemented in the name of national security is the result of protectionist pressures and unwise foreign policy strategies.

A similar type of analysis can be applied to the defense budget. Although the ratio of effective actions is undoubtedly much higher, rent-seeking behavior by bureaucrats and defense firms is likely to generate unnecessary outlays. We are not experts on the defense budget, but the argument that a high-tech bias in defense weapons procurement has led to excessive costs and underprovision of conventional defense needs is consistent with the public-choice analysis that explains why the few are so often able to gain protectionist objectives against the interests of the many.²⁸

Advocates of liberal trade policies and careful monitoring of defense spending should not automatically be labeled as hostile to the idea that we need a strong national security position. Indeed, in our view these are essential elements in securing such a position. Recognition that defense is more important than opulence should not be used as an excuse to increase the size of the pork barrel. And from the standpoint of achieving broad foreign policy objectives, such as promoting a favorable image abroad, the adoption of sensible economic policies may be as or more important than increases in our military might.²⁹

²⁸See Ryan Amacher, Robert Tollison, and Thomas D. Willett, "Budget Size in a Democracy: A Review of the Arguments," *Public Finance Quarterly* 3 (April 1975): 99-121; idem, "Risk Avoidance and Political Advertising: Neglected Issues in the Literature on Budget Size in a Democracy," in *The Economic Approach to Public Policy*, ed. Ryan Amacher, Robert Tollison, and Thomas D. Willett (Ithaca: Cornell University Press, 1976); and idem, "The Divergence Between Trade Theory and Practice," in Walter Adams, *Tariffs, Quotas and Trade*, pp. 55-66.

²⁹See James Chace, *Solvency* (New York: Random House, 1981). For recent discussions and references to the literature on the economic basis of international power, see Charles P. Kindleberger, *Power and Money*; and Klaus Knorr, *Power of Nations*.

THE ECONOMIC CLAIMS OF NATIONAL SECURITY

Earl C. Ravenal

Preliminary Observations

Free trade, in and by the United States, is imperiled. Hardly anyone, in public expression, really believes in free trade; or, more to the point, hardly anyone believes in really free trade. Yet there are pockets of advocacy of free trade, despite all challenges, and pockets of belief in a noninterventionist foreign and military policy, despite all provocations.

That the tenets of free trade and a noninterventionist foreign and military policy go together is (as our Marxist friends are wont to say) no accident. For the common enemy of free trade and nonintervention alike is "mercantilism." Mercantilism can be defined narrowly or broadly, or differentiated into contrasting modes (for example, the "old mercantilism" and "new mercantilism" of Willett and Jalalighajar),¹ to suit the purposes of an argument. But a fair definition would stress the manipulation of the movement of goods, labor, capital, and even ideas, in international trade, to contribute to the enhancement of the "superior" national entity. Those who oppose mercantilism argue that, with such manipulation or subordination, trade (and the other movements of factors) will not long be free; indeed, that trade is even now not free, but rather substantially and variously impaired.

A notable portion of the present impairment of free trade stems from considerations of preserving or enhancing "national security." And so, it is concluded, a constructive and rational trade policy—to the extent that a nation is able to have one—in some sense "depends

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¹In Thomas D. Willett and Mehrdad Jalalighajar, "U.S. Trade Policy and National Security," *Cato Journal* 3 (Winter 1983/84): 717-27.

on” a rational defense policy. And both, in turn, depend on, or follow from, (a) a constructive view of the international system in all its functional aspects, and the role of a nation within it, as well as (b) a view of a well-ordered domestic system, specifically the relation of the political subsystem to the productive function (what has been called, in a somewhat question-begging way, “industrial policy”). So the question of “national security” is intimately involved in the question of trade restriction. And the relationship, and the setting of the relationship, are not simple.

Trade and National Security

With these preliminary observations, we turn to the paper by Willett and Jalalighajar. Their paper contains many wise assessments, an interesting analysis, and, in some ways, a proper direction of thought. The authors begin with the intelligent observation that much trade restriction taken “in the name of” national security is really disguised protection; and their pervasive thesis is that in reality there is not, and has not been, much conflict between the claims of national security and the pursuit of free trade—that is, that trade and security generally and normally run in the same direction.

I agree, though in a limited way and not in the same way as the authors. The conjunction of trade and security is really composed of two possible propositions, or conditions. The first is, roughly, in a kind of logical shorthand: if not an enemy (or if an ally or a security partner), then (probably) more trade. To support this proposition, the authors invoke the post-World War II free-world economic nexus.

The second proposition—complementary, not derived—is, again in logical shorthand: if trade, no enmity (or no enemies). This proposition falls afoul of empirical evidence. The authors refer to the somewhat frayed pre-World War I argument that trading partners rarely (never?) go to war with each other. I would have thought that 1914 and 1939 (when the rather thick trading partners Germany and France went to war) had put an end to that faith.

Trading with the Enemy

Now the derived converse of this second proposition is: if an enemy, then no trade. And the authors take pains to admit this proposition, as if a kind of exception—that is, that enmity can reasonably be expected to preclude free trade. This is a point which appears, in the current policy context, as little more than a truism, and it tends to put the issue of free trade and cold war hostility beyond discussion.

The authors slide too easily past this issue. For the true, hard test of free trade, and of whether it should be, or even can be, preserved

if it goes against the grain of national security, is precisely the case of “trading with the enemy.” I seem to recall a popular law school adage, to the effect that “hard cases make bad law.” (Or is it the opposite? I never seem to remember.) In any case, I *prefer* the *opposite* formulation: That easy cases make nondescript law; and that the hard, exacting cases force the discovery of the precise principle that disposes two close cases into opposite conclusions.

And so it is not particularly interesting that in the postwar period the free nations, all virtually allies (that is, not enemies), constructed a relatively free international economic system (with global tariff reductions and concerted monetary management) that vastly expanded trade and, in turn, reinforced the bonds of common security against a common adversary. The postwar Bretton Woods or GATT system may or may not have been inspired essentially by national security objectives. In any case, that is a rather different point from the harder, *policy* point before us: Whether, *if* national security were, in some concrete case, to conflict with free trade, we should prefer national security to free trade; or whether—as I happen to believe—there is some good (not precisely a “national” interest but more the sum of relevant individual interests) that is higher than security alone (though security may be a component of it) that is essential to our social contract; and—to indicate the theoretical direction in which I am heading—there is only a minimum level of security that must not be breached, but *can* be approached by “allowing” free trade, even with “enemies.” Within this latter formulation, it may be the case that we “strengthen” the “enemy” to some degree, as an incidental—certainly not an intentional—by-product of free trade.

In other words, we are groping for *limits*, more precisely those limits that elemental, undeniable national security places on the exercise of otherwise unhampered free trade. To put it in the words of Willett and Jalalighajar (p. 721): “[N]ational security considerations may offer legitimate reasons—based on externalities or public goods—for government policies that alter the allocation of resources.” The question is what presumptions we should entertain about how tightly limited should be those “considerations,” and therefore how limited should be this governmental intrusion into the marketplace.

The Propriety of Trade Restrictions

The libertarian economist Murray Rothbard once told me that he would “allow,” say, General Dynamics to sell, say, Trident submarines to the Russians. I am not so sure. It is not enough to laugh off security. Even Adam Smith admitted this; he said: “. . . defense is

more important than opulence"²—presumably referring to a few hard and real cases.

The question of the propriety of some limits on trade suggests the further question of how a society makes this determination. Here we are searching for a comprehensive "model"—at least a framework—of how such "decisions" are made by a political system. This will include the questions of *what kind* of decisions they are, and *where* in that system lies the "authority" to make such decisions for the system. (In another sense, this will comprise a *calculus* of national security.) Such a model will explain, and in some sense justify, the intrusion of the national security function into the commercial objectives, or the otherwise optimum welfare, of society.

National Security as a Constraint

First of all, how would we characterize "national security"? Willett and Jalalighajar (p. 720) present a pretty good taxonomic definition: "meet direct military needs . . . the general productive capacity of the economy . . . regulation of international exchange as part of a grand political, economic, and military strategy to achieve national objectives . . . [and within this strategy pursue either] a noninterventionist defensive posture . . . [or] aggressiveness to promote the U.S. power position and induce foreigners to comply with our objectives."

My question, however, goes rather to the *type* of consideration that national security might be: That is, whether an objective or a constraint, and if the latter, whether a quantity to be traded off (say, against some kind of welfare) or a sort of limit. In my view—to state my position at the outset of this part of the discussion—national security is, or should be, primarily a constraint, or a set of constraints, upon a larger conception of the complex objective function or goal function of a system (a goal function that will also include economic achievement and economic freedom, and the "quantity of life" and the "quality of life," and may also include some elements of security). This objective or goal function, by the way, is not imposed on society from above by government or by some kind of Rockefeller-type "national goals commission," but is imbedded in the system and grows out of the system—the system consisting of the actions and preferences and aims of all of its individual autonomous components and constituents.

Looking at the claims of national security primarily as a constraint—and a minimal one at that—has its advantages, both concep-

²Quoted by Willett and Jalalighajar, p. 718.

tual and practical. Indeed, many of the present excesses of our national strategy and our exercise of military power can be attributed to a false conception of the functional nature of national security considerations—precisely to regarding these primarily as *goals* in themselves, goals for our country in the world, or even worse, goals that our country has for other countries in the world and for the outcomes of their actions and interactions. I regard such external goal-positing as not just illegitimate but epistemologically absurd. At least, it is not what our “leaders” are paid to do.

So far it emerges that, in contrast to Willett and Jalalighajar, I regard decision making on national security and trade as part of a *rational* process, though it is subtle and complex and elusive and implicit. The authors, however, coming from a “public choice” orientation in decision theory, gravitate to models and descriptions of policy making that are, at best, *subrational*—that is, not expressive of and resulting from the “sense” of an entire society but of diversely motivated *interest groups*, each attempting to suboptimize a situation for itself. Illustrative is these authors’ invocation of the causes of the magnitude of defense spending (p. 727), attributing it, and its irregularities and inefficiencies (“high-tech bias,” “excessive costs,” “unnecessary outlays”) to “rent-seeking behavior by bureaucrats and defense firms”—an ascription rather close to that of the “bureaucratic politics” theorists or to that of the exponents of the “military-industrial complex.”

By contrast, my theoretical framework would place the burden of cause and blame on the overexpansive conception of the requisites of national security, specifically the incorporation of extensive external or “milieu” goals into our own society’s set of objectives—indeed, the positing of such external states of affairs, whether of the situation and conduct of other nations in themselves or the structure of the international order in general, as objectives rather than merely as constraints (which are minimal conditions to be satisfied). Thus can a divergence of methodology lead to contrasting analyses and in turn contrasting policy prescriptions. The explanatory propositions of Willett and Jalalighajar may be partially true, but are, ironically, irrelevant to problems of “public choice,” not in matters as relatively trivial as the procurement of this or that weapons system, but in matters as momentous as our national strategies, our force structures, and our total defense spending.

To get a better remedy, *what* needs to be changed? The two authors’ explanatory bent would indicate a remedy that is equally arbitrary, and for that reason, etched in sand—a remedy close to that of the Nixon-Laird defense regime, or, before that, the Eisenhower-Wilson defense regime: that is, “fiscal guidance” from the top down.

Fiscal guidance may achieve momentary reductions, but they are not likely to be permanent or even long-lasting, because the real model that generates defense spending as its bottom line still exists, and underlies apparent behavior, and asserts itself in times of more stringent national security “necessity.”

Instead of such rationally blind suboptimizing models, in short, we need a complex rational model that fixes the nature and place and magnitude of national security considerations. Such a model—and calculus—is described in the following section.

A Model of the National Security Function

In the calculus of national security, the whole package of security “requirements” is itself a set of constraints on the operation of the larger national system. That total economic-social-political system is (or should be) a welfare-maximizing system. It is false to treat security as an independent goal of the system, as if there were any sense in maximizing it (as opposed to improving the parameters through efficiency).³

Nevertheless, security is still a *condition* of the system. More properly, the security function constitutes a subsystem—a package of conditions that operates as a constraint on the overall welfare function, in several ways: Resources must be devoted to attaining the indicated level of security; and the longer-term preservation of a nation’s security could be impaired by allowing its own welfare to attain such a high level that it diverts and strains world resources and conspicuously increases world disparities in living standards. If one assumes that security will be “bought” efficiently (an assumption that is realized more often in the abstract than in actuality, but nevertheless inspires continuing efforts toward its realization), then one can define security in terms of three relationships, or conditions that must be observed or fulfilled:

1. There is a minimum level, below which it is considered risky or imprudent to go. This level is the result of a calculation of

³Some sophisticated analysts have fallen into this trap. For example, Arnold Wolfers has said: “Security is a value, then, of which a nation can have more or less and which it can aspire to have in greater or lesser measure. . . . In both respects [absence of threats, absence of fear] a nation’s security can run a wide gamut from almost complete insecurity or sense of insecurity at one end, to almost complete security or absence of fear at the other.” In *Discord and Collaboration* (Baltimore: The Johns Hopkins University Press, 1962), p. 150. Actually Wolfers—following Harold D. Lasswell and Abraham Kaplan, *Power and Society* (New Haven: Yale University Press, 1950)—is making two mistakes, the first supporting the second: (1) Defining security as subjective leads to (2) considering it (a) a goal, and (b) expansible.

the “requirements” of preserving the essential elements of national integrity. The definition of this is political; the assessments and analysis are technical.

2. There is a maximum level, above which it is considered unnecessary to go. This level represents “sufficiency.” It is established by (a) the resources available after providing for other welfare requirements; this is a political decision and is subject to adjustment after feedback; and (b) security “sufficiency” itself; this is primarily a technical assessment, though it is based ultimately on a political assessment of enemies, threats, and interests.⁴
3. There is a utility trade-off between security and the other components of welfare, such as private consumption and public services. This trade-off is established by a diffuse political process; at any point, the elasticity of the trade-off ratio varies, depending on how much of each good is already present.⁵

The labels on the first two of these relationships could be reversed, with no great loss of meaning. In fact, in one definition in fairly recent American history (the Nixon-Laird definition), “requirements” are *higher* than “sufficiency.” The theoretical confusion can arise because, practically, “requirements” and “sufficiency” tend to approach each other and even coincide. Insofar as there might seem to be any gap between them, allowing the exercise of the trade-off between security and other components of welfare, this must imply the existence of a penumbra of near-vital or non-vital security interests. These might include such ultimately dispensable items as the health of our institutions (as opposed to their integrity) and the accessibility of the world to our influence.⁶

⁴The maximum level of security is also influenced by an estimate of the impact of our security preparations on the behavior of factors external to our own system, such as adversaries. Our exceeding a certain level might provoke an escalation on their part that would in turn affect our minimum security level.

⁵For an empirical analysis of this trade-off, see Bruce M. Russett, *What Price Vigilance?* (New Haven: Yale University Press, 1970), pp. 127–77.

⁶They might also include, by implication, certain milieu goals—or ambitions for the shape and character of the international system—including a “favorable” balance of power. The inclusion of milieu goals, such as the configuration of the international system, leads to de-finitizing the requirements of security: Derivative requirements become goals, from which new requirements are derived. This is simply another sense in which the security requirements of the “power-realist” theorists can, paradoxically, become indefinite, despite their efforts to define them. Of course, all security requirements are partially generated by external conditions that are not created by ourselves. But balance-of-power and other realist theories tend to expand the set of conditions that “require” responses.

So these requirements or levels of sufficiency are themselves, as a set, a *constraint* on the operation of the larger welfare system—that is, the society seeking to improve the conditions of life for its citizens. The components of this constraint are various and could be expressed as a large, but finite, number of equations (or inequalities). There would be the *kinds* of requirement-constraints, such as treaty obligations, general alliance responsibilities, traditional affinities, strategic points, and credibility maintenance. And these would fall into certain larger categories: *systemic* constraints (the character and distribution of weights in the external environment—the “balance of power”); *cognitive* constraints (deep epistemological orientations that cause elites to construe movements in the external environment as “threats,” or events that make a difference and must be countered); or *value* constraints (self-imposed or inherited attitudes, say, toward freedom or the autonomous exercise of sovereignty, that must be preserved against foreign pressures). Obviously, the more we “must” spend on defense, the less we have for other requirements, unless we tax ourselves or distort our economy—and either of these courses will amount to a charge on another area, though in a delayed or disguised way. A less obvious formal version of that statement is: The more restricted the *definition* of national security, the looser it is as a *constraint* on the operation of the whole system. If security is defined only as national survival against overt threats, the decision to use force, to mobilize the nation or its economy, will not often be invoked, and the amount of defense preparation will be consistently less burdensome.

There are also parameters in the total system that inhibit the attainment of security requirements. That is, other factors operate as a *constraint upon the constraint* of security: such diverse things as specific resource limits, the maximum level of the economy, boundaries of technology, unfavorable geography, economic vulnerabilities, the morale of citizens, the cohesion of society, even the “legitimacy” of government (that is, operationally, its capacity to demand and exact beyond what it delivers, conspicuously and immediately, in connection with these demands; its functioning above and beyond a set of ordinary transactions between individuals and their administrative structures). In this sense, it is quite possible for some nations to be in a “deficit” security position; indeed, at least 130 of about 160 “sovereign” states in the world probably fall into this category, and therefore either must seek security through alliance, as the deficit partner (in return lending the protector state, perhaps, only their frontiers as trip-wires and their territories as buffers), or must adopt, explicitly or implicitly, various forms of strategic surrender, early or

from the outset. Other, intermediate, nations are provisionally capable of defending their security—that is, they can threaten more harm to an aggressor than his conquest might be “worth” (though that evaluation is subject to circumstances outside the control of the defending nation).

This is a fair, though formalized, representation of how security relationships and values are determined. The model is both descriptive and prescriptive, as befits the process of policymaking, which is “strategic” in the sense that it is complex, structured, and above all deliberate. The model is already institutionalized to some extent in the politics and analysis that comprise the budgetary process. In reality the whole system of relationships and values is not “solved” simultaneously and statically, as in a mathematical linear programming problem. Analytic efforts within government are fragmented and compartmentalized. Relationships take shape tentatively and partially and in no necessary sequence. These facts introduce a dynamic—almost a dialectic—into the process. But it is nevertheless a calculus, and the structure of the model and the values of the constraints cannot be exceeded—except for the “soft” or self-imposed constraints, and then only by a deliberate “parametric” revision, which might carry, in turn, its own costs.

Society and the Individual

The need for a comprehensive model of how a society “makes” its decisions and of how and where “national security” cuts in, is exemplified in the treatment, by Willett and Jalalighajar, of certain means for enforcing trade restrictions, taken, presumably, for reasons of “national security” (pp. 721–22). Here they opine, prescriptively, that such means as government stockpiling of commodities, subsidies to encourage certain producer and consumer behavior, and creating and shutting in reserve supplies of, say, oil are preferable to—that is, “more efficient” than—trade restrictions. But how fundamentally valid are even these compromises of economic freedom and the working of the market, even if they are less evil than direct governmental restraint of trade? For one thing, the authors do not display enough faith in the price mechanism to “allocate” and bring forth supply, and to moderate and shape demand. (Though later, p. 724, they admit that, in the oil crisis of 1973–74, the less advantageous situation of the United States compared with certain other countries “was due to our price control measures, not to the effectiveness of OPEC’s selective embargo.”)

Just so. Then why should the government do anything? Indeed, even though the authors’ paper goes in the right direction in

discouraging excessive and pointed government intrusion in the marketplace in the name of “national security,” its basic trouble lies in its frequent assertions that there exists some “social optimum” that is more compelling, and more demanding, than the “private optimum.” But how do we identify, let alone define or predict, such a “social optimum” apart from what is immanent in the range of private optima? Such a question indicates at least that, in determining the economic claims of national security, the most important variable is what brand of economist you are—that is, what you think “the economy” is.

Not that this precludes the authors from making a great deal of sense, on the pragmatic level, about the counterproductivity of export controls: That they merely deflect orders to competitors, or allow the target country to evade their effect through transshipment, or that the target nation can cope with sanctions, or if not, then just dig in its heels, which might even be worse from a political and especially a military standpoint. But, if their paper strays from a more consistent advocacy of really free trade, if at times it is even minimally permissive, in the name of national security, of destructive trade practices, in its tolerance for mercantilism—that is, instruments of state policy designed to interpose “national security” considerations that bring about results other than what a market would do—that, in my estimation, is because it stems from a cloudy model of how and where deliberate national security factors ought to intersect the more natural economic behavior of individual citizens and private organizations, and, beyond that, from a false orientation to the *function* of foreign policy in and for a society.

Indeed, what is essential to “mercantilism”—and almost sufficient for it—is the assumption of the collective first-person pronoun “we.” In many cases there is almost a casual usage of this form, when discussing, for instance, “what the U.S. economy requires” (in *The New Republic*, 15/22 August 1983, p. 10): “How big a steel industry do we need? . . . We could easily get out of the textile business tomorrow. . . . Should we?”

It gets down to a question of the identity of the political body and the mandate of government—indeed, to the function of foreign policy. Perhaps the aggregation that we casually call “national” does not have a solid ontological basis, and to that extent efforts to “optimize” or “maximize” “national” advantage cannot even have prescriptive validity.

Mercantilism

A further word on mercantilism is in order, especially since this concept is a central point in the essay of Willett and Jalalighajar. That

is, almost in reverse, they attribute such ostensibly nationalist measures as protectionism more to "relatively weak national governments succumbing to powerful domestic interest groups, the very antithesis of traditional mercantilism" (p. 719).

Perhaps so, but we should have a more ample definition of mercantilism—one that includes *defensive* or *counteroffensive* applications, and one that assimilates government's "succumbing" to the initiatives and requests of private interest groups to government action per se—in short, a definition of mercantilism that concentrates on its essential aspect: That it is a deliberate, strategic intrusion of noneconomic factors, at the state level, into the flow of more natural economic activity—in short, a distortion of the market. This definition of mercantilism would include the "old" aggressive mercantilism as well as the "new" defensive or retaliatory brand. It would encompass instances of trade-infringing behavior—not always "protection"—that are (1) punitive; or (2) defensive, that is, reducing vulnerabilities; or (3) preemptive, that is, refraining from "arming" an "enemy." Such a more ample definition would be more relevant to the present drift to mercantilist practices by most nations, including the United States.

Virtually all major interests in this country have come to subscribe to the orientation toward international affairs that I am calling mercantilist. (Mercantilism, again, is the assumption that the leaders of state have a mandate to mobilize the resources of private individuals and organizations to perpetrate objectives that might enhance the power and status of the state.) A salient contemporary case is the insistent brief of Felix Rohatyn,⁷ which has attracted astounding support across the political spectrum. Rallying to the themes of "reindustrialization" and "planning" and "industrial policy," this argument proposes industry-government regulatory partnership; massive governmental subsidies; greater price and wage discipline, verging on comprehensive mandatory controls; incentives and disincentives to industrial location; the imposition and manipulation of tax burdens on energy; pervasive controls on capital movement and credit allocation; and protectionist curbs on embarrassing imports. These moves would achieve, in practical effect, far-reaching alterations of our political system.

In this program, we have the resurgence of the Hamiltonian scheme of a powerful and centralized government and a supreme and active

⁷Some examples, all in *The New York Review of Books*, are "The Coming Emergency and What Can Be Done About It," 4 December 1980; "The Older America: Can It Survive?" 22 January 1981; "Reconstructing America," 5 March 1981; and "A Matter of Psychology," 16 April 1981.

executive, to promote the strength of the American state in the world—to serve the autonomous goal of foreign policy effectiveness.

Rohatyn himself has advised, quite consistently, radical constitutional surgery. Specifically, he would abolish the constitutional checks and balances, the internal restraints on executive power. And he would greatly augment military spending, and pair this with an unusually punitive version of conscription. Another proposal for explicit constitutional amendment, to establish a unitary, parliamentary system, was made by Lloyd Cutler, former counsel to President Carter (“To Form a Government,” *Foreign Affairs*, Fall 1980). Cutler’s pretext is also the incapacity of our system to project a coherent, effective foreign policy, as well as its inability to enforce allocative choices on domestic society. In a perverse sense, those would-be reformers of American state and society are right. For the American constitutional system does insist on the trade-off of political and economic liberty against foreign policy “effectiveness”—and makes that choice in favor of liberty.

Foreign policy is often conducted, not only as an autonomous activity, but as one that is primary and even dominant, to the point *where the other functions of a state are required to support its external goals*. But pretensions of autonomy or dominance constitute a pathology of the foreign policy function, not its unique justification. It is quite as valid to assert the reverse—that the foreign policy function ought to support other values that the state is organized to realize for its citizens. Putting the matter in that way, one can challenge the very “foreign-ness” of foreign policy. Its proper test is how well it serves the domestic interests of citizens. One might almost call foreign policy an extension, or a limiting case, of domestic policy.

Only after insulating against harm and conserving resources should a foreign policy be judged by how well it provides (not demands or enforces) opportunities for its citizens to interact constructively with the “outside” world (in commercial, social, cultural, and humanitarian activities). Beyond that, the organization of the international system *per se*—whether to subordinate it to American “primacy” or to accomplish “world order” on its own terms—is a questionable function, at best a marginal task.

Foreign policy, then, must be seen not as a lance, but as a shield. It is not a vehicle for propagating our values or a pretext for projecting our fantasies. Our primary business is to operate our unique political system, enjoy and enhance our economic activities, and repair and perfect our society. The ultimate justification for the foreign policy function itself is that it puts a shell around the internal process of the nation. In a very real sense, foreign policy begins and ends at home.

A Prescriptive Finale

Whether a government can even have a mandate beyond the defense of individual citizens and their core interests—their lives, their domestic property, and the integrity of their political choices—is the relevant question. If we insist on that limited role of government, we can go a long way to “de-mercantilize” our foreign policy—both in its security and its trade aspects.

If we are not to damage our domestic system, our individual producers and consumers, we must do three things. First, we must learn to differentiate the strategic or political-military functions, those few matters of truly vital interest, and the other functional areas of national action, those real but lesser and ultimately alienable interests that our citizens might have in the world. Second, we must reject the “linkage” between these sets of functions that has been called, by Kissinger and others, “a fact of life,” but is so mischievous and deleterious when deliberately applied to international bargaining. Third, in order not to extend the palette of true national security concerns so that it smears across all the other values and interests, we must draw back to a security perimeter that has two interacting and mutually reinforcing characteristics: credibility and feasibility; that is, a line that we must hold, as part of the definition of our sovereignty, and a line that we can hold, with advantage and within constraints, over the long haul.

The *consistent* observance of such a broad policy will not only contribute to international understanding of our behavior and of the essence of our system, but will also gain respect for them.