

Transatlantic Security and European Autonomy – a Political Economy of Security Perspective *

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European leaders have focused on the concept of strategic autonomy in recent years, amid increased US rhetorical pressure regarding burden-sharing, the (re)emergence of great power rivalry, and questions regarding the strength of the transatlantic bond. I argue that resource allocation is essential to strategic autonomy – it is impossible to understand the prospects of strategic autonomy without understanding the drivers of defense investment. I further argue that these drivers reside primarily in domestic and regional political economies.

European strategic autonomy thus requires increased, defense-focused coordination in employment, fiscal and industrial policy. From a transatlantic perspective, this suggests that the US may consider supporting European efforts at strategic and industrial autonomy as complementary to its desire for more equal transatlantic burden-sharing and more capable allies. In order to address burden-sharing and operational challenges within NATO, the US may need to cede some control and empower its European allies outside the NATO context.

What is European strategic autonomy? EU member states have not yet formally defined it together beyond introducing it in the St-Malo Declaration: “the Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them, and a readiness to do so.”⁽¹⁾ I define strategic autonomy as the ability to direct and use all of the assets of the European Union and its members, including their militaries, for the purposes of policy as decided by politics, without depending on external capabilities. This definition implies the “who” involved in autonomy: EU members as bloc, not individual states. The latter lack the resources to be individually autonomous. But EU members remain attached to autonomy (sovereignty) at the national level. This dynamic means that European strategic autonomy is a European collective action problem, within a broader transatlantic collective action problem.

⁽¹⁾ Heads of State and Government of France and the United Kingdom, “Franco-British St. Malo Declaration,” December 4, 1998.

* This research is his alone, and does not reflect any official US government position.

What does strategic autonomy require, and are European states capable of it? This paper lays out a broad, paradigmatically neutral political economy perspective of European defense, to help evaluate the prospects for strategic autonomy. Strategic autonomy requires the investment of resources in industrial and operational autonomy. The extent to which European economies make those investments depends more on domestic and EU-level political economy factors than it does on international systemic ones.

Beyond transatlantic and intra-European burden-sharing, defense investment is a critical component of strategic autonomy – no state or group of states can unite the politico-strategic, operational, and industrial elements of autonomy without investing adequately in the capabilities that underwrite it. A political economy of security (PES) approach, evaluating the complex interactions between the production and consumption of “guns” and “butter,”⁽²⁾ can shed some light on Europe’s potential to achieve strategic autonomy by theorizing and modeling – together – the various known (and potentially unknown) factors that may influence states’ defense investment in a collective action context.

Defense Investment and Collective Action

European strategic autonomy requires collective action in defense investment, or burden-sharing. The collective action literature on defense investment is vast and multidisciplinary, but is largely informed by public choice thinking.

Public choice research on defense investment first conceptualized defense as a public good, meaning that its consumption is nonrivalrous (one individual can consume it without reducing its availability to others), and nonexcludable (no individual can practically be excluded from using it).⁽³⁾ Figure 1 visualizes the correlation coefficient between GDP rank and defense spending, illustrating the shift from a more public good the 1960s, to a less public “joint product”⁽⁴⁾ during the later Cold War.

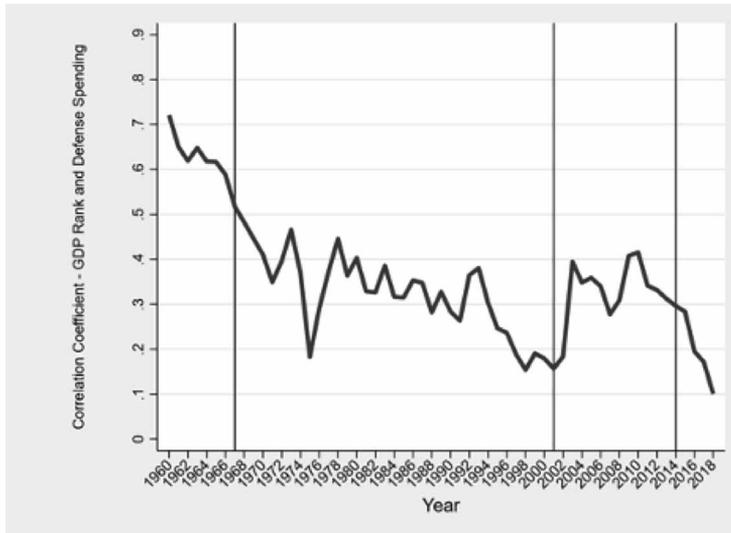
A higher correlation coefficient on the y-axis reflects a closer relationship between national wealth and defense investment, in accordance with public choice theorizing. The coefficient declines from very high pre-1966 figures after NATO’s doctrinal shift from Massive Retaliation to Flexible Response, and until the declaration of the “Global War on Terror” in 2001, which, because it was so dominated by US activities, rendered alliance security more public than it had been in many years.

⁽²⁾ Paul Poast, “Beyond the ‘Sinew of War’: The Political Economy of Security as a Subfield,” *Annual Review of Political Science* 22, no. 1 (2019): 223–39 (<https://doi.org/>).

⁽³⁾ “An Economic Theory of Alliances,” *The Review of Economics and Statistics* 48, no. 3 (1966): 266–79 (<https://doi.org/>).

⁽⁴⁾ “Burden Sharing, Strategy, and the Design of Nato,” *Economic Inquiry* 18, no. 3 (1980): 427 (<https://doi.org/>).

Figure 1 – Bivariate Correlation, GDP and Defense Spending, 1960-2018 (NATO)



Newer perspectives on the political economy defense investment

It can be interesting for policy-makers to know that richer states tend to spend more on defense, or external threats push states to spend more on defense, but neither of these insights are amenable to policy action. Even strategic culture, an important driver of operational burden-sharing,⁽⁵⁾ changes only slowly and for reasons that are not always apparent.

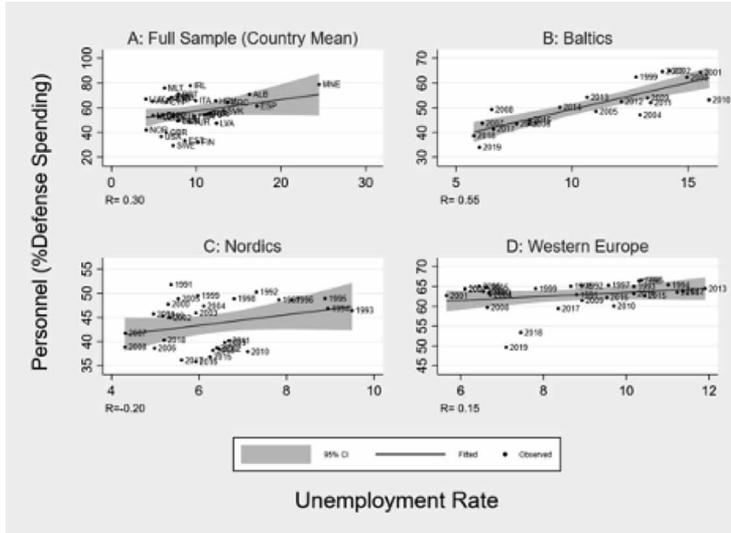
In the context of defense investment and European strategic autonomy, it is therefore worthwhile to investigate non-defense drivers of defense investment – specifically those residing within national and EU political economies and subject to policy interventions. Three policy areas are of particular importance: employment, fiscal policy, and industrial policy.

First, unemployment dampens the kind of defense spending required for effective collective action and European autonomy: figure 2 visualizes how governments reduce spending on equipment and operations in favor of personnel spending when unemployment increases. Unemployment is everywhere associated with the shifting of defense resources into personnel – and out of shared priorities like equipment and operations. This relationship is explored in detail elsewhere⁽⁶⁾ – here I will merely offer a few policy-relevant observations.

⁽⁵⁾ Becker and Malesky, “The Continent or the ‘Grand Large?’”.

⁽⁶⁾ Jordan Becker, “Rusty Guns and Buttery Soldiers: The Effect of Unemployment on Transatlantic Defense Spending,” *SSRN Scholarly Paper*, Rochester, NY: Social Science Research Network, September 15, 2015 (<https://papers.ssrn.com/>).

Figure 2 – Unemployment and Personnel Share of Defense Spending in NATO and EU Members, by Region, 1991-2019



While Western European states (Panel D: Belgium, France, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom) spend more on personnel than do Baltic Sea states (Panel B: Denmark, Finland, Norway, Sweden), unemployment appears to affect defense spending much more in the latter, in spite of their proximity to and concern about Russia. That the correlation coefficients are smaller in the Nordic states and in Western Europe, with their relatively generous unemployment benefits, and larger in the Baltics, with less generous systems, also suggests that states may indeed use defense budgets as “welfare policy in disguise”⁽⁷⁾ when other stabilizers are unavailable. States generally trade the “guns” of equipment and operations for the “butter” of personnel spending, but this tendency may be mitigated by robust social welfare systems. Addressing transatlantic burden-sharing challenges, with or without EU strategic autonomy, requires an understanding of the differential effects of unemployment on defense investment in member states.

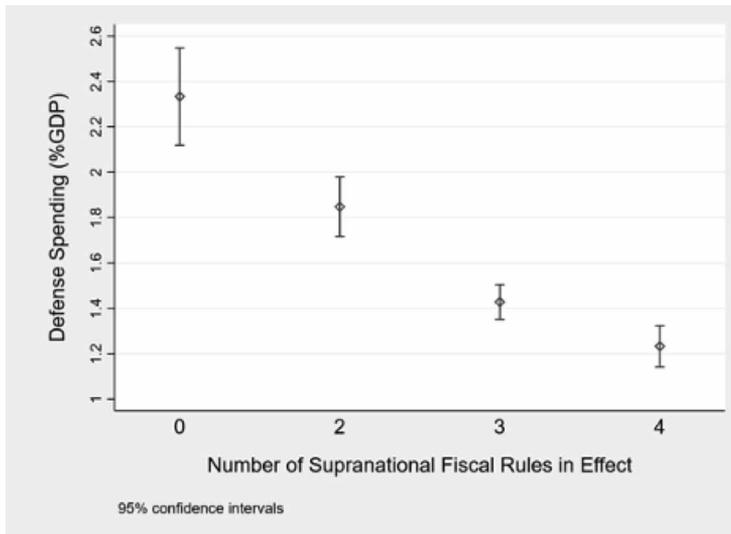
Second, supranational fiscal rules like the Maastricht Criteria render the guns/butter tradeoff more acute, dampening the defense investments associated with strategic autonomy.⁽⁸⁾ Figure 3 visualizes how the introduction of supranational fiscal rules translates into reduced defense spending. The increased defense

⁽⁷⁾ Guy D. Whitten and Laron K. Williams, “Buttery Guns and Welfare Hawks: The Politics of Defense Spending in Advanced Industrial Democracies,” *American Journal of Political Science* 55, no. 1 (2011): 117 (<https://doi.org/>).

⁽⁸⁾ Jordan Becker, “Accidental Rivals? EU Fiscal Rules, NATO, and Transatlantic Burden-Sharing,” *Journal of Peace Research* 56, no. 5 (September 1, 2019): 697–713 (<https://doi.org/>).

investment that European strategic autonomy demands thus requires fiscal coordination among member states. Particularly in times of economic distress, a concerted effort to protect defense budgets from austerity is essential to continuity of investment and capabilities development.

Figure 3 – Supranational Fiscal Rules and Defense Spending in NATO and EU Members—95% Confidence Intervals



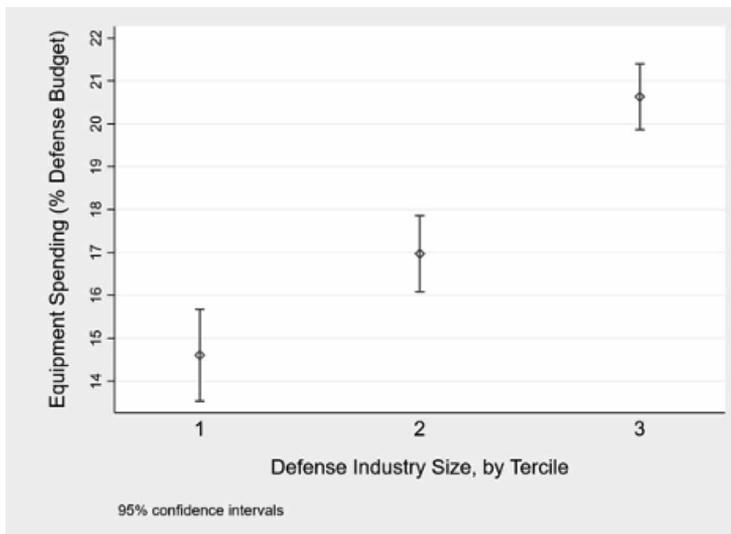
Third, the weight of defense industry in a state’s economy shapes how it spends on defense: the larger the share of arms exports in a state’s economy, the larger share of that state’s defense budget it devotes to equipment spending. States without defense industries buy equipment “off the shelf” – their guns/butter tradeoff is clear and direct. States with significant defense industries can generate some butter (employment, skills training, technological spillovers) in the acquisition of guns, softening the tradeoff and encouraging higher equipment spending. Figure 4 visualizes this relationship: there is a clear and statistically significant difference in mean equipment expenditure for each tercile of total arms exports, a good measure of the overall size of a state’s defense industry. Defense industrial activity in a national economy (measured in several ways) appears to precede equipment spending – both temporally and causally.⁽⁹⁾

If the EU seeks to achieve strategic autonomy as a bloc, then distributing defense industry among its member states more evenly is likely to mobilize a greater share of its economic capacity to do so. This reality poses difficult sovereignty-pooling

⁽⁹⁾ Jordan Becker, “Arms Without Influence? Spatial Distribution of Defense Industrial Activity, Transatlantic Burden Sharing, and Strategy,” February 27, 2019 (<https://doi.org/>).

questions – just as a strong defense industry is fundamental to strategic autonomy at the EU level, so it is at the national level. Whether and to what extent members are willing to cede some control of their defense industrial policy remains a political question among EU members.

Figure 4 – Arms Exports (% GDP) and Equipment Spending in NATO and EU Members, by Tercile



From a transatlantic perspective, initiatives like the European Defence Action Plan, the European Defence Fund, and the European Defence Industrial Development Programme can be seen as advantageous to the US, in the sense that they are likely to incentivize both more and more efficient equipment spending. The more European states stand to gain economically from defense production and acquisition, the more likely they are to invest in the capabilities and capacity that the US would like them to.

The industrial sovereignty challenge leads to a fourth area of consideration: trust and reliability among allies. Alliance arrangements can lead to asset specificity, wherein countries specialize, seeking economies of scale and gains from trade. The extent to which allies test one another’s reliability during peacetime through audits like the EU’s CARD or NATO’s NDPP is an important avenue of research and can shed light on how willing allies are to pool industrial sovereignty. Content analyses designed to measure affinity and alignment of values can also help measure trust for inclusion in multivariate models of material behavior. The effect of the transatlantic wave of authoritarian populist politics on trust in multilateral organizations has not been adequately studied. Right-wing populist politics appear to be

detrimental to defense investment – “us first” politics are associated with reduced defense investment,⁽¹⁰⁾ and make the kind of coordination discussed above less likely.

Conclusions

A political economy of security perspective on EU strategic autonomy synthesizes various approaches to defense investment as well as global, regional, and national drivers of defense spending choices. In so doing, it can provide decision-makers with a better adapted analytical toolkit. The dynamics of “guns” vs. “butter” tradeoffs vary significantly among states, and even within states, over time. A PES approach to analyzing the economic foundations of strategic autonomy measures those variations and models them together. The foregoing has offered three clear examples of policy ideas emerging from a PES analysis. First, robust employment policy (and possibly even unemployment insurance) can mitigate the strong, positive relationship between unemployment and adverse collective action outcomes in defense. Second, knowing that fiscal rules can dampen the investment required for strategic autonomy can enable states and institutions to shape rules with an eye to defense, should they choose to. Finally, states spend more on equipment when their domestic economies stand to gain from such investment – distributing the gains from defense industrial activity more evenly across Europe would help raise overall investment, and could mitigate the negative relationship between unemployment and capabilities spending. ♦

⁽¹⁰⁾ Jordan Becker, “Authoritarian Populism and Burden-Sharing in the Transatlantic Community,” February 4, 2020 (<https://doi.org/>).