

FIFTEEN YEARS ON: OPTIONS FOR CHANGE ?

The purpose of this paper is to examine the British government's Options for Change defence review initiated fifteen years ago, in 1989 and trace the evolution of this strategic led policy into the resource driven defence cost studies underpinning the policy known as "Front Line First". To undertake this task the author has chosen to use the perspective of different cultural approaches to decision-making in defence used by major government entities.

Using secondary data sources to avoid issues of confidentiality so close to the events this analysis seeks to present the evolution of the policy process from four distinct perspectives.

The first perspective draws upon the authors doctoral research considering policy making as a process involving what game theorists term 'repetitive games' i.e. the behaviour of actors is conditioned by the fact that they will be involved in bargaining on a regular future basis (e.g. for share of the defence budget). The next three slices draw on a landmark piece of research into the Cuban Missile Crisis of 1962 starting from a historical perspective and deepening the analysis by looking successively at the impact of organisational processes and lastly the power of individuals encompassed in the bureaucratic politics model.

I – OPTIONS FOR CHANGE: INTRA-GOVERNMENTAL DECISION

MODEL

This first section is concerned with the application of this model to governmental decision-making. It aims to identify the central players relevant to the defence environment, their characteristics and their interactions. This should in turn yield insights as to the policy-making process and explain the nature of the options for change process. The application of the model does not explicitly utilise hypotheses regarding the dominating causes underlying an individual decision. Rather it seeks to observe decision outputs through the continuum of time and cultural interactions.

In terms of viewing Options for Change through the Intra-governmental decision model it is first necessary to identify the polyarchic environment (i.e. the central intra-governmental cultures) under examination. Those cultures relevant to this particular analysis are those of the Foreign Office, Government (that is the political party in office), The Ministry of Defence (2 major cultures and the armed services), and the Treasury which we shall now consider in turn.

The Foreign Office has been characterised as having, ‘strong inherited likes and dislikes.’¹ It has preferences for the countries it favours dealing with and likewise a set of those of whom it disapproves. The Foreign Office is relevant to understanding the defence decision-making environment as it can set the agenda as to what Britain’s interests should be and whom its allies are at present. This Department of State represents the historical legacy of Britain’s foreign policy and is a cultural trust retaining the sum of British experience. This is clearly important as the matching of resources to commitments has long been a challenge for policy-makers.

¹ Bruce-Gardyne, J. *Ministers and Mandarins: Inside the Whitehall village* (London: Sidgwick & Jackson 1986). Ch. 4. p. 57.

In Britain the Government culture is examined as that of the party in power. Because of the historical development of the parliamentary process, the governing party has control of information. Further it is generally able to execute policy due to its inherent majority by virtue of the electoral system. The Government drawn from the Conservative party enjoyed uninterrupted rule from 1979 through until 1990 with one Prime Minister, a Conservative successor continuing throughout the Options for Change exercise. In its preparations for the election victory it had committed itself to offering a manifesto including, 'freedom and free markets, limited government and a strong national defence.'² In terms of succeeding with this agenda it was noted that everything had to fit in with a strategy to reverse economic decline.³

In government the Conservatives pursued twin policies of nationalisation of state companies with tight fiscal control of government expenditure. Experts from industry were brought in to pursue value for money initiatives within government.⁴ Public expenditure was constantly reviewed with an aim of reducing the overall costs of government.⁵

The Ministry of Defence consists of two distinct cultures with respect to decisions. On the one hand there is the budget minded culture of peace time accounting, audit and management of limited resources for potentially limitless ends. On the other exists the culture regarding the management mission of the Ministry, to provide for the security of

² Thatcher, M. *The Downing Street years* (London: HarperCollins 1993). Introduction. p. 15.

³ *ibid.*

⁴ *ibid.* Ch. 1. pp. 30 - 31.

the Nation.⁶ However impinging upon these two main cultures are the four distinct players, the three services and the civil service.

Due to the environments in which they operate and their historical experiences the Army, Royal Navy and Royal Air Force possess distinct views on how defence should be provided. Further they all possess distinctive styles of decision-making. The fourth player, the civil service element is a player due to its continuity of service as opposed to officers that are seconded on limited postings to the Ministry.

Finally, the Treasury due to its responsibility for public expenditure has interests in the activities of all government departments. Because of its small size it could be suggested that its interest is limited to costs of various policies leading to the criticism that the Treasury understands 'the cost of everything and the value of nothing'. Furthermore the influence which the Treasury exerts over policy plans by departmental ministers means that the Treasury is often viewed as an obstacle. This is highly relevant when considering the resource issue of defence and its constant struggle for finance.

The 1989 Statement on the Defence Estimates published prior to the start of the Options study provides a starting point for understanding the subsequent decision-making activity. The Defence (Security) culture within the Ministry of Defence saw the Soviet Union as its main adversary despite recent arms control initiatives such as the INF

⁵ Lawson, N. *The view from No. 11: Memoirs of a Tory radical* (London: Bantam 1992). esp. (1981). Ch. 10. pp. 103 - 104. (1988). Ch. 25. pp. 299 - 301. Ch. 58.

⁶ These cultures were formally recognised in the 1970s. For a typical commentary of their interaction see *The Guardian*. 'An officer and a management man' (09.03.90).

Treaty. The White paper noted, ‘We should be under no illusion about this new sense of realism; it is designed to serve Soviet interests, not those of the West.’⁷

The annual appraisal of the White Paper by the House of Commons Defence Committee saw different issues being asked of Ministry officials.⁸ The Defence (Management) culture was engaged regarding Treasury inflation estimates and the likelihood of defence spending falling as a percentage of GDP.⁹

The foreign Office culture arguably saw the Soviet Union a little differently due to its representation at negotiations and summits. On author noted also the changing view of the government toward the Soviet Union, ‘For the first time [since 1979], Soviet leaders appear to be genuinely able to influence the defence and foreign affairs debates within Britain.’¹⁰

The divergence of the two main cultures within the Ministry of Defence and their relationship with the Treasury, the Foreign Office and Government is fundamental to the decision to undertake the review of policy known as options for change. The Government and Treasury cultures were in alignment viewing public expenditure as something to be reduced in size. However against them were the alignment of the Foreign Office and the Defence cultures incrementally carrying on as they had for the past several years.

⁷ Her Majesty's Stationery Office. *CM 675-I Statement on the Defence Estimates 1989, volume 1* (London: HMSO 1989). Ch. 1, p. 1. para. 105.

⁸ Her Majesty's Stationery Office. *HC 383 House of Commons Session 1988-89 Defence Committee fourth report, Statement on the Defence Estimates 1989* (London: HMSO 1989).

⁹ *ibid.* pp. 1-2. para. 6.

¹⁰ Clarke, M. ‘The Soviet Union and Eastern Europe’ in Byrd, P (ed.). *British foreign policy under Thatcher* (New York: St. Martin's Press 1991). Ch. 3. p. 74.

The shift by the foreign office culture toward conceiving of a new form of relationship with the Soviet Union left the Defence (Security) culture out of step with developments broadly in the British government. Financial problems related to defence procurement throughout the late 1980s were being dealt with in an incremental manner rather than provoking a review within the organisation.

This effective breakdown in what might be termed the operational cultures of British defence policy enabled the more powerful axis of the Treasury and Government to intervene with a view to establishing resource savings in the Ministry of Defence programme during 1989.¹¹ From the model's perspective both of these cultural groups had evolved in an incremental manner responding to the cold war environment. However the responses to radical change were occurring at different velocities. The Foreign Office's proximity to the ending of the Cold War enabled it to move faster than Defence. The centrality of the Treasury to the Government's efforts throughout the 1980s to minimise expenditure meant that defence was drifting away from general thinking in government about resource allocation and political priorities.

Within the Ministry how did the three distinct service cultures and the civil service react to this event? The 1990 Statement on the Defence Estimates focused upon the Warsaw Pact and the negotiations over the Conventional Forces in Europe Treaty.¹² This Treaty would have deleterious effects to the ability of the services to argue against reductions.

¹¹ The memoirs of Alan Clark suggest the process as being started formally after a meeting at Chequers on Saturday 30th September 1989. One of the earliest indications of this cultural rift can be seen in *The Times* (23/03/90). 'MoD faces White Paper dilemma on East bloc changes'.

The Treaty's focus upon Land forces, and aircraft whilst excluding Naval forces meant that the services under immediate threat were the Army and Air Force.

The Defence (Management) culture meanwhile was grappling with the Treasury which had reneged upon a commitment allowing the Ministry of Defence to carry forward savings up to the value of 5%.¹³ Further the implementation of a new management regime was soaking up their energies.

By early summer the House of Commons Defence Committee completed a major report on the changing security environment. Given the rumours regarding the nature of defence reductions the committee sought to consider the possibilities. In considering the characteristics of future armed forces it is noted that they would be expensive.¹⁴ In order to make this transition in a resource thin environment clearly the Government culture would have to ensure that the services responded to this vision.

The best example of this can be seen by examination of the House of Commons Defence Committee reports on Options for Change for each of the services. The documents for the Air Force and Navy are slender compared to those of the Army and reserve forces.¹⁵ This is an indication of the battle mounted by the army to mitigate its

¹² Her Majesty's Stationery Office. *CM 1022-I Statement on the Defence Estimates 1990, volume 1* (London: HMSO 1990). esp. Ch. 1.

¹³ Her Majesty's Stationery Office. *HC388 House of Commons Session 1989-90 Defence Committee eighth report: Statement on the Defence Estimates 1990* (London: HMSO 1990). pp. 16 - 17. paras. 94 - 103.

¹⁴ Her Majesty's Stationery Office. *HC320 House of Commons Session 1989-1990 Defence Committee tenth report: Defence Implications of Recent Events* (London: HMSO 1990). p. x1, para. 99.

¹⁵ See Her Majesty's Stationery Office. *HC266 House of Commons Session 1990-91 Defence Committee third report: Options for change: Royal Navy* (London: HMSO 1991). pp. 25. Also *HC 393 House of Commons session 1990-91 Defence Committee fifth report: Options for change: Royal Air Force* (London: HMSO 1991). pp. 27. Further *HC45 House of Commons session 1991-92 Defence Committee*

position as the service due to bear the brunt of reductions. Evidence from a highly experienced former Secretary of State for Defence highlighted the problem of delegating change to the services;

“If you put this [Options for Change] entirely into the hands of people whose interests are to keep things as they are and who will look for new things for the services to do - I think the Navy’s latest defence is controlling the drug traffic in the Caribbean.’¹⁶

A formerly senior civil servant at the ministry noted of the services that, ‘when push comes to shove, sailors will want ships, airmen planes, and soldiers regiments - and secondarily tanks.’¹⁷ The July 1990 statement regarding the outcome of the Options review was only six pages in length.¹⁸

The Navy and Air Force as capital intensive organisations and technical cultures were able to reshape themselves by the removal of equipment approaching obsolescence. This reaction would have rapid impact on the balance sheet and also protected investment in future generations of their ‘decisive weapons’. It could be suggested that in the early 1990s these were nuclear powered submarines for the Royal Navy and the Eurofighter multi-role combat aircraft for the Royal Air Force. From a cultural perspective these weapons represented structures, procedures and values which had been inculcated to generations of service personnel. Therefore these were both symbols of differentiation between them as well as key indicators of the evolutionary nature of their response to the security environment.

third report: Options for change: Army - Review of the white paper, Britain’s army for the 90s, CM1595 (London: HMSO 1992). pp. 95. Lastly *HC163 House of Commons Session 1991-92 Defence Committee fourth report: Options for change: Reserve forces* (London: HMSO 1992). pp. 68.

¹⁶ *op cit.* HMSO. HC 320. p. 78. para. 343. Evidence from Lord Healey.

¹⁷ *Interview.* Sir Michael Quinlan (Shrivenham: Royal Military College of Science 07/10/98).

For the Army the challenge was to maintain its core, that of the regimental system. Personnel reduction associated with reducing the BAOR commitment to Germany would inevitably threaten regiments. This in turn meant that service energies which might have been directed toward protecting its share of the defence budget were absorbed in protecting secular interests.¹⁹

The House of Commons Defence Committee noted from their assessment that at best there was, ‘no coherent overall [security] strategy.’²⁰ and at its extreme;

‘even worse would be for the Treasury to dictate the size of the surface fleet... Nothing we have heard in evidence... has dispelled our impression that this is a reasonable description of the methods used [author’s bold].’²¹

In the context of Options for Change it is apparent which symbols hold distinct value for the three services. By definition these provide the bargaining chips and vulnerabilities when competing with each other and external forces such as the Treasury. In the context of the model the issue of Trust can be seen in terms that none of the cultures threatened the symbols of the other directly. It would appear that the decision-making process of Options was driven by a Government and Treasury culture able to exploit the divisions within the Ministry to reduce capabilities quantitatively rather than eliminating them entirely.

¹⁸ *Jane’s Defence Weekly* 14 (5) (04/08/90). ‘UK forces face 18% reduction’. p. 152.

¹⁹ For details of the political battle to preserve regiments see *op. cit.* HMSO HC45. pp. 80 - 95. Also *Jane’s Defence Weekly* 14 (6) (11/08/90). ‘Britain’s Army: building a new structure’. p. 194. Further Strachan, H. *The politics of the British Army* (Oxford: Oxford University Press 1997). Ch. 9. pp. 195 - 233. esp. 225 - 233.

Having completed the decision-making relevant to the Options review how effective were the services in curbing its implementation ? Clearly the service cultures would seek to prevent a further haemorrhage of their budget if not reverse elements of the reductions. The 1992 Statement on the Defence Estimates was in part concerned with the lessons of Britain's success as part of the United Nations coalition which reversed Iraq's 1990 invasion of Kuwait.²²

The 1993 Statement on the Defence Estimates introduced a new methodology demonstrating the roles and missions to which force elements were assigned.²³ The 1993 White Paper is important in demonstrating the reconciliation between the Management and Security cultures within the Ministry as well as the three services. The capabilities of the three services were matched to tasks on three tables.

The Army, Navy and Air Force made their position's increasingly secure by ensuring that their capabilities were assigned to as many tasks as possible in each role. This act in itself made further action by the Treasury and Government operationally as well as culturally more difficult. In terms of the model this activity demonstrates how politically aware the service cultures are in protecting their position.

²⁰ *op. cit.* HMSO. HC45. pp. vi - vii. para. 7 - 8.

²¹ *op. cit.* HMSO. HC266. p. xii. para. 20.

²² Her Majesty's Stationery Office. *CM1981 Statement on the Defence Estimates 1992* (London: HMSO 1992). Ch. 4. pp. 68 - 79. The White Paper introduced three Defence Roles, 1: Protection of the United Kingdom and dependent territories, 2: Defence of the United Kingdom against a major external threat, and 3: The United Kingdom's wider security interests. Within these roles were a number of military tasks against which force elements were assigned.

²³ Her Majesty's Stationery Office. *CM2270 Defending our future: Statement on the Defence Estimates 1993* (London: HMSO 1993). 2 - 5. pp. 19 - 60.

The Government began to face criticism that the Options review had gone too far and had left the defence establishment exposed.²⁴ This made further action in conjunction with the Treasury problematic, especially due to the high profile image enjoyed by the armed forces in the context of the Gulf and the emerging Bosnia commitment. The House of Commons Defence Committee recommendations following examination of the 1993 White Paper noted, '**the armed forces desperately need a period of financial calm.**'²⁵

These pressures assisted in enabling a financial settlement for the Ministry for the remainder of the parliament. However in order to reach these expenditure targets whilst not incurring further criticism the Government had to arbitrate between the requirement to avoid criticism from MPs, the Treasury and the Ministry. 'Front Line First: The Defence cost study' can be seen as a clear compromise in this direction thus ending the Options review.²⁶

In conclusion it could be suggested that the failure of the Defence (Security) culture to adapt to the changing environment left it vulnerable to financial review. The incremental nature of the cold war security policy can be traced through successive years of Statements on the Defence Estimates.

²⁴ Her Majesty's Stationery Office. *HC306 House of Commons Session 1992-93 Defence Committee second report: Britain's army for the 90s: Commitments and resources* (London: HMSO 1993). pp. 6 - 7. paras. 671 - 673. Written evidence. pp. 32 - 35. The evidence articulates the over-stretch faced by the army and inability to train effectively.

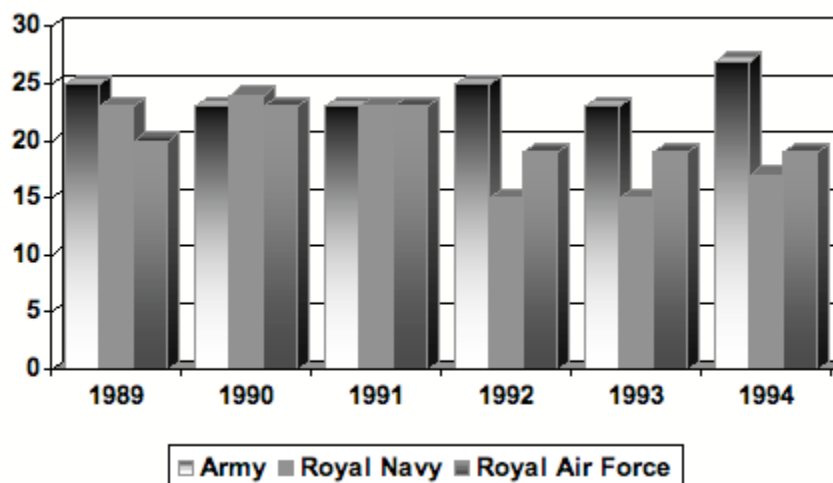
²⁵ *ibid.* p. ix. para. 10.

²⁶ Her Majesty's Stationery Office. *Ministry of Defence: Front Line First The Defence Costs Study* (London: HMSO 1994).

However the armed services proved highly resilient in defending their fundamental interests. By the publication of the Defence Costs Study all three services were committed to acquiring new generations of decisive weaponry.²⁷ Furthermore whilst the overall budget for defence contracted between 1989 and 1994 the percentage share by service showed interesting changes as depicted overleaf in figure 5.1. 1992 saw the effective implementation of the Options decisions for the Royal Navy and Royal Air Force. However the Army was able to maintain their share of the budget and at times extend it.

The Treasury culture favouring reduced public expenditure was able to exploit very effectively Ministry confusion in 1989. However once the Security and Management cultures within the Ministry of Defence demonstrated coherence it became subsequently harder to apply extra-ordinary pressure to achieve cost savings.

Figure 5.1: Percentage share of the Defence budget by service, 1989-94.



²⁷ *op. cit.* HMSO. Cmnd. 2550. Ch. 4. pp. 53 - 66. The White Paper indicated tendering for new nuclear submarines, Army plans to acquire helicopter gunships and new tanks, and the continuing development of Eurofighter for the RAF.

Having considered the Options for Change process using the Intra-governmental decision model the second part of the chapter shall consider this policy shift through the Allison framework using the Rational actor, Organisational process and Governmental (bureaucratic) politics lenses.

The Intra-Governmental Decision model focus upon culture and repeated interactions it could be suggested facilitates an appreciation of the constraints governing the principal actors behaviour. Therefore in situations where data is scarce i.e. in considering recent policy decisions the model offers a greater level of specificity in terms of gauging the parameters for action. The model illustrated the response through time to the challenge of resource scarcity by the service cultures in assigning forces to mission types in order to justify their existence. Further the activities of the Navy and Air Force in dropping many types of combat weaponry in order to protect their core function offer further evidence of their political awareness.

OPTIONS FOR CHANGE VIEWED THROUGH THE ALLISON LENSES

Having considered the Options for Change review through the Intra-governmental model, this examination of Options for Change using Allison's framework seeks in the first instance to introduce two hypotheses concerning the decision-making environment which led to a reassessment of Britain's defence needs in 1989. The choice of only two

hypotheses reflects the importance of what was articulated at the time as being the central reasons underlining the policy-shift.²⁸

Allison in his own work utilised hypotheses only for the application of the Rational Actor model in considering the Cuban Missile Crisis.

II – OPTIONS FOR CHANGE: THE RATIONAL ACTOR MODEL

The rational actor lens introduces the perspective of a unitary British government making choices regarding its defence requirements on the basis of selecting the optimal course among competing choices.²⁹

The first hypothesis ‘international security’ considers the review as the resultant of perceptions that a radical transformation of the international environment was occurring. Many official publications suggested that the increased warning time for Western Europe derived from arms control agreements enabled defence rationalisation. The second ‘economic necessity’ posits the alternate view that rather than security needs it was economic considerations that drove the decision process.

HYPOTHESIS ONE: ‘INTERNATIONAL SECURITY’

In the period following the Second World War, British security concerns have fluctuated between what Darby had described as ‘the old beats of Empire rather than the

²⁸ *op. cit.* HMSO. CM 1022-I (1990). p. 44. Para. 404. This statement was indicative of the economic hypothesis as being the central determinant of policy. The international security hypothesis gains credence from government citation in *ibid.* p. 9. Para. 110.

²⁹ See Ch. 1. pp. 9 – 11. *op. cit.* Allison (1971). Ch. 1. pp. 10 – 38.

gray realities of Germany and the Rhine.’³⁰ With commitments ranging from supporting NATO to ensuring the orderly transition of power in colonial possessions, British security policy has it could be suggested been of an essentially reactive nature. These commitments were reflected in the force structures maintained by the armed forces to meet any contingency ranging from low intensity operations such as those in the Malayan ‘emergency’ to high intensity conflicts like Korea.

The mechanism by which Britain maintained this capability was a system of bases to which troops and materials could be flown or shipped in time of crisis. One of its largest and most important strategic bases was that in Egypt. This protected the Suez canal. This base facilitated control of both shipping in transit to India, and oil from the Middle East. It also secured air transport to the Far East.³¹

The 1956 débâcle in Egypt following the nationalisation of the Suez canal, and subsequent Anglo-French efforts to depose the Egyptian regime under President Nasser, resulted in a crisis of confidence for the British political system. The subsequent loss of Egypt hastened the British retreat from a imperial role. Subsequent governments sought to redefine Britain’s security policy so as to orientate it away from colonial adventures towards the NATO alliance and Europe. The 1968 annual Statement on Defence declared that efforts would ‘in future be concentrated mainly in Europe and the North

³⁰ Darby, P. *British defence policy East of Suez* (Oxford: Oxford University Press 1973). p. 268.

³¹ Ovendale, R. *British defence policy since 1945* (Manchester: Manchester University Press 1994). p. 18. Ovendale cites Public Record Office, London, CAB 128/11, fos 7-8, CM6(47)3, Confidential annex, 15 January 1947.

Atlantic area.’³² This followed a rational review of defence options detailed in Chapter 3.

Once the shift towards a European defense posture emerged, with the basing system largely disbanded, force structures of the armed services were altered. The 1960s saw the cancellation of the Royal Navy project to build a new generation of large carriers. The Royal Air Force lost half its air transportation fleet in the next decade. It could be suggested that given the Royal Air Force view of air transportation being a concern of second order the loss would not have had the traumatic effect which the CVA-01 cancellation had upon the Royal Navy. Both of these capabilities were essential to maintain a global intervention strategy.³³

The 1970s were characterised by civil disturbances and low intensity crises in Northern Ireland, Cyprus and the Arabian Peninsula. The tempo of withdrawal from the Persian Gulf was hastened. This despite the wishes of the United States who would rather have had forces deployed in the Middle East against the communist threat.

The most demanding test for the armed forces post-1945 arose in the decision to reverse the Argentinean invasion of the Falkland Islands. Political moves to reduce the Royal Navy’s surface fleet were planned but not fully implemented before this conflict. The British Army of the Rhine continued its sedate garrison role against a threat that had not yet materialised. The government continued its policy of maintaining a nuclear deterrent

³² Her Majesty’s Stationery Office, *Cmnd 3540 Statement on the Defence Estimates 1968* (London: HMSO 1968). p. 2.

³³ The CVA-01 aircraft carrier project was deleted in the 1966 Defence White Paper. For a detailed discussion see chapter 2.

force, composed mainly of submarine based missiles despite pressure from the opposition and domestic pressure groups.³⁴

Rather than losing a major conventional conflict, it could be suggested that the 1990 review of British defence policy stemmed from the willingness of the Soviet Union to de-militarise its cold war competition with the western world. To best consider this critical factor the hypothesis will consider in turn nuclear and conventional arms control developments which influenced the shift in British policy.

In the field of nuclear arms control there had been levels of tacit co-operation between parties in the past, for example although the United States never ratified SALT II accord, it did stand by its provisions for strategic arms.³⁵ However the significant changes to the security environment were the Intermediate Nuclear Forces agreement (INF) and the successor to the Mutual and Balanced Force Reduction talks, the Conventional Forces in Europe treaty (CFE).

The INF Treaty.³⁶ addressed a problem which had resulted from a previous arms control agreement known as SALT. Its provisions both enabled and proved a catalyst for the development of a new generation of nuclear weaponry. The Soviet deployment of mobile, highly accurate missiles proved of considerable concern to the NATO alliance. NATO members feared that this deployment undermined deterrence. At worst

³⁴ The British nuclear deterrent was carried first by the V-bomber force in the 1950s. Following the 1962 Nassau agreement with the United States, Britain received the *Polaris* submarine based missile. The 1980s saw an agreement which led to the purchase of the *Trident* missile currently entering service with the Royal Navy

³⁵ SALT and its successor SALT II were nuclear arms control acronyms standing for Strategic Arms Limitation Talks.

it left them vulnerable to a surprise decapitation strike aimed at their political leadership.

The United States, keen to allay these fears planned to deploy the neutron bomb.³⁷ However, these weapons caused great public anxiety in Europe. Their withdrawal was forced both by public concerns, and from political leaders, who realised these weapons undermined rather than reinforced deterrence.

In response NATO adopted a two-track approach, whereby it would develop the next generation INF, the Ground Launched Cruise Missile, whilst simultaneously negotiating limits of such future weapons, in return for reductions in the current Soviet holdings of INF missiles. If the talks preceded beyond December 1983 then the US would deploy these new INF weapons.³⁸

The European governments attempt to generate positive public opinion for the deployment of these weapons led to a period of political turmoil. The depiction of the SS-20 threat had a perverse effect in raising public anxiety about all nuclear weapons not only Soviet ones. In 1981 President Reagan announced the zero-option. NATO would not deploy any new INF if the USSR eliminated all its older and some newer theater missiles. US Secretary of State Haig noted that this proposal was intended to ‘take the high ground in propaganda, without real expectation that the Soviet Union

³⁶ Its full title is The Treaty between the United States of America and the Union of Soviet Socialist Republics on the elimination of their intermediate range and short range missiles.

³⁷ The neutron bomb was a US developed enhanced radiation weapon which had much greater effects upon people with reduced, albeit still significant, destructive potential.

³⁸ The deployment involved 572 weapons, including 108 Pershing II, and 464 cruise missiles.

would ever accept this outcome.’³⁹ A week later the USSR made a counter-proposal suggesting staged reductions west of the Ural mountains.

The rational actor model as applied here illuminates the issue of states as unitary actors making choices regarding arms control postures aiming to maximise their individual security.

The negotiations commenced with significant reluctance on the part of the United States. They were against cancellation of the deployment of Pershing II which caused great concern to the Soviet Union. This fact alone was enough to reduce the chances of any positive outcome. However, it could be suggested that one key event changed the attitude of the US, making it more willing to negotiate constructively.

Once European states had gained enough support for the stationing of the new INF forces, the superpower summit at Reykjavik, Iceland saw two superpowers come close to an accord without the United States consulting its NATO allies. The USSR had come to Iceland with concrete proposals to eliminate INF motivated it seems by a wish to reduce the burden of the arms race on the Soviet economy.

The US was surprised by this. The Soviet moves towards the United States position virtually bargained away INF without European input. The British were apparently furious to hear this, having endured substantial domestic opposition to facilitate the cruise missile deployment, and updating the strategic deterrent.

³⁹ *SIPRI World armaments and disarmament yearbook 1988*, (SIPRI: Stockholm 1988), Ch. 13. p. 381.

The INF Treaty was unique. It was the first accord which actively involved the dismantling of nuclear weapons. Verification procedures were settled, and future production of such weapons was banned. However the INF process resulted in a rift in transatlantic relations. NATO publications attempted to limit this by reinterpreting the culture of the USA and explaining the nature of the American psyche.⁴⁰

From the rational actor perspective the early difficulties and failures of nuclear arms control can be traced to the individual state based cost-benefit calculus. Unilateral disarmament from any individual state's point of view did not enhance their security. Choosing a level of arms to which all could agree was not possible either until the mid 1980s. At this point changes in the security environment enabled the rational consideration of the broad costs of the nuclear posture enabled states to successfully negotiate Treaties such as INF which combined reductions in weapons with confidence building measures.

The speed with which this nuclear armaments treaty was concluded can be seen in sharp contrast to the much thornier issue of conventional arms control. In 1968 the NATO ministerial conference proposed negotiations on conventional force levels with the USSR. Three key factors drove this effort. Firstly, there was a perception that a reduction in military confrontation could allow a reduction in defence expenditure.

The 1967 Harmel report for NATO expressly forbade further cuts in forces by members pending the start of MBFR. Unilateral reductions adversely affected the chances of

⁴⁰ Feifenberg, J. 'Transatlantic relations - a case of continental drift' in *NATO Review* Vol. 34. No. 5. (1986). The article discussed the 'Rambo' element of American culture.

reaching a common negotiation position. Secondly the West wished to regain the initiative from the USSR who had recently proposed the formation of the CSCE.⁴¹ Third, the talks were seen as a way of relieving domestic pressure in the US to unilaterally reduce forces. The negotiations acted as a brake on any timetable for disengagement. In 1971 a member of the US congress proposed an amendment to the draft laws. The Mansfield amendment was defeated in part because the USSR announced its intention to participate in the MBFR talks. This served as a catalyst to the commencement of MBFR negotiations.

Problems became apparent shortly after negotiations opened. The UK and West Germany wanted Soviet nuclear forces included but not NATO ones. The Soviet Union disagreed. It wanted ground and air forces included. Whereas NATO only wanted army manpower to be considered. In the context of the Rational Actor model this indicates the value maximising aspirations of all parties. The Soviet Union wanted an agreement which protected their advantage, numbers of soldiers. NATO states sought to protect their superiority in quality of combat aircraft.

The ceilings issue was resolved by setting manpower limits of 900,000 on NATO ground and air forces and 700,000 ceiling on Soviet ground forces. Another problem was that of definition. What did "balanced" in MBFR actually mean ? Did it refer to quantity or quality ?

⁴¹ The CSCE was the Conference on Security and Co-operation in Europe. Its recent successor is the OSCE or Organisation for Security and Co-operation in Europe.

The Soviet Union introduced another proposal. In this foreign forces would be included under the ceilings. Excess numbers would be gradually returned to their home state. This created obvious problems for NATO e.g. the difference in distance between the West German border and the USSR, and the West German Border and North America was 4,300 miles in the Soviet Union's favour. Other problems emerged such as the nature of verification, especially difficult in the case of mobile nuclear missile forces as compared to static silos, was noted by one observer;

‘Counting troops and arms in the territory of the other party can become a charade - as was the case in summer 1980, when allied intelligence staffs lost track of the Soviet 6th armoured division - which had been declared withdrawn from the Wittenberg region of East Germany to the Soviet Union since October 1979.’⁴²

Also problematic was how should the geography of the area be related to force balances, put simply does the terrain favour attack or defence ? Should the manpower ceilings be altered accordingly ? In sum should the reductions be symmetrical (equal) or asymmetrical ? When the talks began to stagnate over technical issues, NATO played its trump negotiating card. This "option 3" involved the direct offer to have NATO withdraw 1,000 US nuclear weapons in return for the withdrawal of one Soviet tank army.

In effect NATO broke its own negotiation rules, by including nuclear weapons. The talks degenerated from this point into various proposals and counter-proposals. However several one-off withdrawals were made before the talks lapsed into

⁴² Ruehl, L. *MBFR: Lessons and Problems* (London: International Institute for Strategic Studies) Adelphi Paper No. 176. p. 2.

mediocrity with the end of détente and the start of the second cold war with the invasion of Afghanistan. It could be suggested that the Soviet Union mindful of its conventional superiority could not rationally contemplate its reduction for fear of jeopardising its own security.

In summary the MBFR talks were a failure. Although neither party achieved tangible results they did facilitate contact and exchanges of positions for both sides. They also established a basis for the CFE process. The process highlighted the difficulty that verification posed in the realm of conventional arms control. As summed up by Ambassador Blackwill of the US delegation, ‘the good news is that we now have permanent check-points; the bad news is that nobody goes through them.’⁴³

A by-product was the quelling of demands in the US for force reductions. As noted by one writer, defeat of the Mansfield amendment eased pressure for unilateral withdrawals of US servicemen and ‘significantly decreased the likelihood of an accord.’⁴⁴

The key difference in assessing the CFE and MBFR was it could be suggested in the intentions of the participants. The NATO call for negotiations at Halifax, Canada and the USSR’s Budapest address, coupled with the distinct thaw in superpower confrontation, engendered a climate for meaningful discussions to take place. The guiding aims of the CFE talks were to ‘eliminate disparities prejudiced to stability and

⁴³ Alexander, M. ‘MBFR - Verification is the key’ in *NATO Review* Vol. 34 No. 3. (1986). p. 10.

⁴⁴ Blacker, C D. ‘Negotiating security: The MBFR experience’ in *Arms Control* Vol. 7. p. 215.

security, and to eliminate as a matter of priority the capability to launch surprise attack and to initiate large-scale offensive action.’⁴⁵

Further, the talks avoided the problem which had dogged the MBFR process, that of manpower, deciding instead to focus upon key forms of equipment which could be monitored, and counted more easily, within four zones comprising the Atlantic-to-the-Urals. CFE talks also took place at a time of general progress in arms control. The CSCE Stockholm Accord was nearing fruition, placing tighter controls on military movements, and the INF Treaty was in its final stages.⁴⁶

This indicated a common interest between Europe, the US and the Soviet Union to curb the military excesses of East-West confrontation. From a technical standpoint, advanced satellites were available to both superpowers. This made the possibility of verification in both nuclear and conventional agreements more practical. From the Rational Actor perspective the environment enabled arms control in a situation in which all participants could benefit.

The negotiations were rapid in comparison to the MBFR process. The Soviet Union made early concessions. With the fall of the Berlin Wall in 1989 one writer noted that these concessions ‘dried up.’⁴⁷ The Warsaw Treaty Organisation negotiating team became increasingly independently minded, leading to the Soviet military representatives taking over negotiations *de facto*. From the Rational Actor perspective

⁴⁵ Sharp, J M O. ‘Conventional arms control in Europe’ in *SIPRI world armaments and disarmament Yearbook 1990* p. 478.

⁴⁶ The Conference on Security and Co-operation in Europe (CSCE) became the Organisation for Security and Co-operation in Europe (OSCE) in January 1995.

the Soviet Union as a value-maximising state did not wish to see its negotiating power diluted.

Further the impending break-up of the Union was making CFE problematic for Russia. The sufficiency rules placing limits on equipment holdings per country were based on the Eastern Blocs continued existence and not a newly independent Russia.

The US were prepared to drop aircraft from the talks, as they had proven a sticking point due to definition problems in order to move the process on. The European members were not prepared to accept this. There were further problems concerning forces which the Soviet Union had re-designated as naval units thus they were not covered by CFE.

Rather than a malevolent move, this was perceived as being an attempt to squeeze every concession possible from the treaty. The Soviet Union as a rational value-maximising actor sought to maximise its own security in this bargaining situation.

By limiting equipment in geographical regions, along with stringent verification procedures, and an element of disarmament (the level of which has been a source of disagreement between observers/participants), the agreement provided for the security of all the participants. One observer noted that, 'in many ways the CFE treaty is a combined peace treaty for WW II and for the cold war.'⁴⁸ The previous quotation is of particular relevance to the international security hypothesis.

⁴⁷ Dean, J. 'The CFE negotiations' in *Survival* Vol. 32. No. 4. (Jul. - Aug. 1990).

⁴⁸ *ibid.* p. 93.

Having illustrated the security environment in which the UK has operated since the end of the Second World War - the gradual shift towards Europe as the focus of its security concerns, the arms control agreements coupled with the break-up due to nationalist pressures of the Warsaw Pact and Soviet Union, all facilitated a fundamental reassessment.

The 1990 statement on the Defence estimates was released some five months following the collapse of the Berlin Wall.⁴⁹ Given the lag time in its annual preparation the one-page introduction provides the greatest amount of information regarding the new environment. The key concerns noted were that the CFE accord was not at this time signed, and of course the fact that the Soviet Union still possessed all of its equipment, although the Warsaw Treaty Organisation was falling into obsolescence.

The day of the Secretary of State for Defence's statement initiating formally the Options for Change review coincided with the release of the House of Commons Defence Committee report assessing the state of the international security environment, bearing the acronym DIRE.⁵⁰

In its compilation the Committee conducted visits throughout Europe calling upon several expert witnesses including current and former Defence Secretary's King and Healey, senior service heads, and members of the academic community. The report

⁴⁹ *op. cit.* HMSO, *Cm1022.-I.*

⁵⁰ *op. cit.* HMSO, *Hc320.* The Committee Chairman, Michael Mates attributed the title of the report to one of his clerks in an address to the Royal United Services Institute (Vol. 35. No. 3. (Autumn 1990) p. 72).

summarised the arms control events of the late 1980s succinctly, and considered possible future threats. However its impact can be summed up by its key sentence, ‘**As a military alliance the Warsaw Pact is effectively defunct** [original emphasis].’⁵¹

The same day, the Secretary of State for Defence delivered a statement on Options for Change.⁵² The statement was an interim report prior to the autumn statement on defence, and therefore was not specific in its intent insofar as many of the questions fielded to the Minister were from Members of Parliament whose constituencies had a stake in particular defence contracts and establishments.

Within a week, a brief interlude occurred as Iraq annexed Kuwait, leading to an international response in which Britain sent a force of some 40,000 personnel to the Middle East who eventually fought to liberate Kuwait. In November at a Heads of State meeting of the CSCE set out a plan to assist the newly independent states of central Europe carry out democratic elections, noting in their communiqué that, ‘the era of confrontation and division of Europe has ended. We declare that henceforth our relations will be founded on respect and co-operation.’⁵³

In July 1991 following completion of CFE, the Minister for Defence noted, ‘The key international developments on which Options for Change were founded have been generally fulfilled... The government has a clear strategy for future defence policy.’⁵⁴

⁵¹ *ibid.* p. x. Para. 13.

⁵² *Hansard* 25th July 1990 pp. 468 - 486. The phrase ‘Options for change’ was first used officially by Secretary of State for Defence Tom King on the 6th February 1990.

⁵³ Foreign & Commonwealth Office, *Cmnd 1464 Charter of Paris for a new Europe* (London: HMSO 1990). p. 1.

⁵⁴ HMSO, *Cmnd 1559-I Statement on the Defence Estimates 1991, Volume one* (London: HMSO 1991). p. 6.

To summarise, the first argument concerning the emergence of the options for change review, has been as a result of the drastic changes wrought in the international environment at the end of the 1980s. Changing international security considerations viewed through from the rational actor perspective were fundamental in facilitating a shift in the United Kingdom's defence posture.

The thaw in relations between East and West resulted in arms control agreements which could be practically verified and were of equal value to both parties. Given that Britain had gravitated towards a continental strategy defending Europe, as it relinquished control over its dominions, the arms controls efforts culminating in INF and CFE, allied with the demise of the Soviet Union facilitated a government re-think as to how it should organise its defence. The second hypothesis, economic necessity shall look at the need for options for change as resulting from a differing set of circumstances.

HYPOTHESIS TWO: 'ECONOMIC NECESSITY'

The second hypothesis concerning the decision to embark on the options for change review in 1990 can be summed up by the writings of Cicero a little over two thousand years ago in his statement, 'The sinews of war are infinite money.'⁵⁵ It could be suggested that little has changed since that time. From this hypothesis we will use the Rational Actor model to assess the Options for Change review as being the outcome of economic priorities rather than environmental changes in international security.

⁵⁵ Heintz, R D Jr., *Dictionary of military and naval quotations* (Annapolis, Naval Institute Press 1966). p. 115.

The international system as we know it today, is founded on the right of sovereignty as recognised by other states, giving each absolute jurisdiction within its recognised boundaries. The raising of armed forces has guaranteed both the maintenance of those boundaries against external threats, but in some countries also acted in a manner to preserve the state from domestic challenges.

However, the armed forces have an opportunity cost. By having skilled people removed from the economy, scientists engaged in defence research, and monies spent on military hardware, these assets cannot be used elsewhere. In time of clear security threats this is, by and large accepted by society. It could be suggested however that in periods of peace, when threats are of a distant nature, and economic needs are pressing there arises a temptation to reduce the size of one of the largest sectors of government expenditure. This is indicative of the Rational Actor seeking to maximise value from the resources of the State in order to maximise their security.

The United States during the Suez crisis of 1956 engineered a crash in the value of Sterling through international financial markets. This was done to pressure the British to cease their activities in Egypt.⁵⁶ The series of defence reviews during the mid 1960s resulted from various economic crises which forced the government of the day to reconsider spending.⁵⁷ As noted by Keohane, ‘The devaluation of the pound sterling in 1967 obliged the government to accept that Britain was no longer a world power.’⁵⁸ Further the OPEC decision to rise oil prices influenced the public expenditure round and

⁵⁶ Keohane, D. *Labour party defence policy since 1945* (Leicester: Leicester University Press 1993). Ch. 1. p. 20.

⁵⁷ Browning, P. *The Treasury and economic policy 1964 - 1985* (London: Longman 1986). Ch. 1. pp. 13 - 14.

the defence review of 1974, with the Chancellor seeking a 4.5% reduction in GNP as a whole within twelve months.⁵⁹

For Britain the government of the early 1980s faced an international security environment which posed many challenges. The cold war confrontation between the superpowers entered a second phase. Following the Soviet invasion of Afghanistan the Reagan administration entered office committed to a major build-up of US defences to protect both itself and its allies. NATO members were committed to increasing their defence budgets by three percent a year in real terms (i.e. above the rate of inflation).

The Secretary of State for Defence John Nott, was recruited to government from merchant banking. His 1981 review noted that it was ‘incumbent upon the government to ensure that resources are spent to the very best effect in terms of security.’⁶⁰ Greenwood rationalised Nott’s skills learnt as a merchant banker to the outputs of the review.⁶¹

He [Greenwood] saw the decision to withdraw from service one quarter of the Royal Navy’s surface fleet as removing a strategic anomaly. Given Britain’s focus upon Europe this seemed logical and would lower the amount of capital tied in assets. Greenwood noted that the aim of the review ‘was for rationalisation of the business.’⁶²

⁵⁸ *op. cit.* Keohane. Ch. 1. p. 21.

⁵⁹ Carver, M. *Tightrope walking, British defence policy sine 1945* (London: Hutchinson 1992). Ch. 6. p. 104.

⁶⁰ *op. cit.* Ovendale. Citation originates from HMSO, *Cmnd 8288 The United Kingdom defence programme: The way forward* (London: HMSO 1981).

⁶¹ Greenwood, D. ‘Expenditure and Management’ in *op. cit.* Byrd. Ch. 2 pp. 36 - 66.

⁶² *ibid.* p. 45.

This measure was however overtaken by events in the South Atlantic, following the Argentine invasion of the Falklands.

The mid 1980s saw a consumer led boom in the domestic economy which took political pressure off of the Ministry of Defence. Nott's successor Michael Heseltine pushed for efficiency savings in the ministry. He especially targeted defence equipment procurement by recruiting Peter Levine from industry. Further the Ministry sought to stretch procurement programmes, and delay deploying new equipment to keep the costs low within the overall budget.

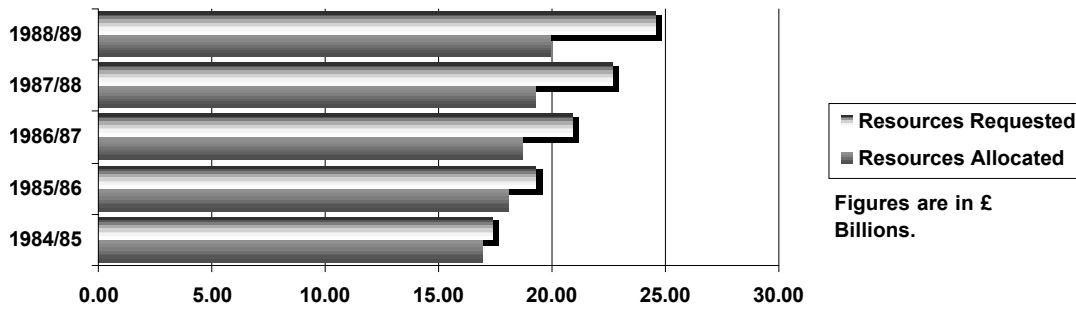
Greenwood suggests that, 'what they were doing at the Ministry of Defence was muddling through and calling it management.'⁶³ Further although the three percent target was not met in real terms there was a gradual increase in the budget, which coupled to the governments pursuit of low inflation saw more money available than a decade earlier in 1975 when the defence budget of a little over five percent of GNP was eroded by inflation of over twenty percent.

However there were problems. The governments economic strategy involved keeping control of public expenditure, and gradually in the years following the Falklands conflict, a series of optimistic forecasts from the Treasury for inflation started to create a funding gap, between the resources allocated to defence, and those needed. This was

⁶³ *ibid.* p. 56.

identified by Greenwood and indeed he presented in testimony to the House of Commons Defence Committee.⁶⁴ His figures are illustrated in the Figure 5.2 below:

Figure 5.2: Illustration of the Ministry of Defence funding gap 1984 - 1989.



Towards the end of the decade the British economy started to enter recession. The first warning came from the stock market crash in autumn 1987. Following this economic growth began to slow, with full economic recession commencing in the first quarter of 1990.⁶⁵ The Treasury noted that the cause rather than external, ‘followed a period of unsustainably fast growth during the late 1980s.’⁶⁶

The problems with managing the defence budget could be characterised as the growing disparity between defence needs and funding. This was exacerbated by the onset of an economic down turn. In terms of the Rational Actor it could be suggested that a re-assessment of defence needs was well over-due due to solely economic reasons. Reductions in defence could free resources for the private sector to stimulate the economy.

⁶⁴ Centre for Defence Studies, *United Kingdom defence policy in the 1990s* (London: Centre for Defence Studies 1992). Ch. 3. pp. 10 - 18.

⁶⁵ HM Treasury, *Economic briefing* No. 6 (Feb. 1994) pp. 1 - 5.

⁶⁶ *ibid.* p. 1.

At the beginning of 1990 the funding gap issue was addressed in a report to the Commons Committee on Public Accounts. The report identified the slippage of nine projects that were now over two years behind schedule, further it identified five projects whose costs had increased over 25% those projected, one of which by 183%.⁶⁷

The annual Defence Committee examination of the Defence Estimates saw the Secretary of State defending the inflation planning figures which had eroded the defence budget in the previous year.⁶⁸ The August of 1990 saw an inflation figure of ten percent - presenting a serious erosion of the defence budget, which would have to have been addressed by some form of review.⁶⁹

Several commentators posited that a review of defence requirements for financial reasons was overdue thereby validating the 'economic necessity' hypothesis. Baylis writing on the economic challenges for British defence policy in 1989 noted that;

'major cuts in defence will become necessary unless there are increases in defence spending... One of the key questions for the future, therefore, is whether the Defence Secretary will undertake a major review before the next election in 1991 or 1992.'⁷⁰

⁶⁷ HMSO, *HC295 Committee of Public Accounts ninth report, Ministry of Defence: The annual statement on major defence projects* (London: HMSO 1990). See Appendix 6 p. 23.

⁶⁸ HMSO, *HC388., Defence Committee eight report: Statement on the Defence Estimates 1990* (London: HMSO 1990). pp. 1 - 2.

⁶⁹ Sabin, P A G. *Adelphi Paper 254: British strategic priorities in the 1990s* (London: Brassey's (IISS) 1990). p. 12.

⁷⁰ Baylis, J. *British defence policy: Striking the right balance* (London: Macmillan 1989). Ch. 6. pp. 78 - 79.

Sabin noted that, ‘Even if high inflation had not put paid to the plan to stabilise British defence spending at its 1988 level, a financially driven defence review could not have been avoided much longer.’⁷¹

This second hypothesis has posited that the decision to engage in a review of defence requirements was the resultant of economic demands. From a Rational Actor perspective the value-maximising state sought to reduce expenditure on defence to support economic development. Specifically this was attributable to the funding gap which had emerged in the Ministry of Defence on the one hand, and the performance of the British economy on the other.

The problems with procurement projects identified by the Commons in early 1990 demonstrated rationally that there had to be some re-evaluation of defence needs. Given the increasing cost of each new generation of military equipment it was inevitable that the cost of re-equipping the armed services would come at the expense of numbers of personnel.

This first part of the analysis of Options for Change using Allison’s framework has considered the decision-making during Options for Change as resulting from the rational choice made by the United Kingdom, reacting to the environment.

It is my intention to now turn to the second lens through which the decision to embark on a defence review emerged, that of the organisational process model. This

⁷¹ *op. cit.* Sabin, p. 12.

perspective shall examine the decision to start the options for change review as the result of governmental activity.

III - OPTIONS FOR CHANGE: THE ORGANISATIONAL PROCESS MODEL

The second of Allison's three lenses seeks to explain decisions as the outcome of inter-departmental activity within government.⁷² Simply put how are major decisions regarding the shape of defence policy influenced by organisational structure and processes? This analysis of the period preceding the 'Options' review aims to identify the relevant Ministry's, specialist departments and the political oversight bodies behind the various reports as well the standard operating procedures which lead to the policy outputs.

Given the secrecy surrounding British defence processes and the recent nature of the Options exercise the analysis will be limited in scope due to the availability of materials. Rather than offering hypotheses this analysis will seek to define the procedures which would lead to organisational outputs which we recognise as policy it intends to concentrate on the public expenditure process and those documents available.

In December 1989 the senior civil servant wrote of the Ministry of Defence in its 25th year of existence as being, 'a large and complex organisation. It spends £20 billion a year, employs half a million people, and is one of the largest landowners in the country.'

⁷³ It describes its role as being, 'a Department of State responsible for the formulation

⁷² *op. cit.* Allison (1971). See Ch. 1. pp. 11 – 14. Also Ch. 3. pp. 67 – 100.

⁷³ Ministry of Defence, *The Ministry of Defence* (London: HMSO 1990). p. 1.

and execution of defence policy.’⁷⁴ Further it is a unique organisation insofar as it comprises both military staff on secondment, dedicated civil servants, and its political masters.

In order that these disparate interest groups can be understood by one another the Ministry publishes charts showing the comparisons between rank structure in the forces and the civil service, in order that everyone is aware of their position in the hierarchy.⁷⁵ The political leadership of the Ministry encompasses five posts, the Secretary of State for Defence, Ministers of State, and Parliamentary Under Secretary’s of State for the Armed Forces and Procurement.⁷⁶

The Ministry is as indicated previously responsible for planning defence needs, and executing policy. It must however justify its expenditure both to the Treasury (in order to obtain its yearly budget) and to parliamentary scrutiny.

In order to plan defence requirements information is required. The Ministry of Defence houses its Defence Intelligence Staff. This organisation’s staff provide the Ministry with a threat assessment from which to allocate resources on the basis of political need. The assessment itself generates a certain amount of controversy as it looks beyond the ten year long term costing cycle to consider the environment in the long term. McIntosh cites discussions with on the one hand the Chief of Defence Intelligence who ‘can think

⁷⁴ *ibid.* p. 3.

⁷⁵ Ministry of Defence, *Ministry of Defence staff handbook: A guide for civilians in the Ministry of Defence* (London: HMSO December 1996). 4.5 Table of civilian and service equivalents.

⁷⁶ In January 1990 these posts were held by the Rt. Hon Tom King MP, Hon. Archibald Hamilton, the Earl of Arran, the Hon. Alan Clark MP, and Michael Neubert MP.

of one case where capabilities were exaggerated' and a Permanent Under Secretary who perceived threat assessment 'to be over-estimated most of the time.'⁷⁷

The threat assessment, and therefore the Defence Intelligence Staff hold a powerful organisational niche in the defence planning environment. The assessment cannot be challenged due to the expertise which is not possessed elsewhere. An excerpt from a television interview with a former director of the Defence Intelligence Staff, Sir Richard Armitage provides an insight into the primacy of the Staff;

Interviewer: 'Surely, a Minister has a right to challenge a threat assessment if he sees fit, and indeed if he has sufficient knowledge to be able to do so ?'

Sir Richard: 'I think you've hit the nail on the head. The Ministers don't have access to the detailed research that goes on, for example in the DIS, and it would be a very bold Minister indeed who ignored the advice of people like myself on expert matters like that.'⁷⁸

McIntosh concludes, 'DIS is a secret world in a secretive Ministry.'⁷⁹ Another department within the ministry of note is the Office of Management and Budget, created by reforms in the mid 1980s. This office is responsible for the allocation of resources as well as financial matters, and is therefore of relevance to the policy makers.⁸⁰

Her Majesty's Treasury possesses one of the smallest staffs of a Whitehall Ministry, and among the oldest. It describes its function as 'to help ministers formulate and

⁷⁷ McIntosh, M. *Managing Britain's Defence* (London: Macmillan 1990). Ch. 2. pp. 92. In 1992 Dr. McIntosh was Chief of Defence Procurement, Ministry of Defence.

⁷⁸ Taylor, D. *Ministry of Defence: Keepers of the threat* (London: BBC 09.04.1986).

⁷⁹ *ibid.* p. 93.

⁸⁰ *ibid.* p. 153.

implement their economic policies.’⁸¹ Its central authority is derived from its position as guardian of the finances from spending requirements. This responsibility in turn profoundly defines the culture of the Treasury, as noted by Pliatzky, ‘The Treasury sees itself as a small beleaguered citadel of financial prudence, surrounded by spendthrift predators and surviving only by its wits and by tireless vigilance.’⁸²

This responsibility is exercised in the annual public expenditure round commences in July each year, with a statement from the Treasury secretary on the state of the economy. Departments such as the Ministry of Defence, having already prepared well ahead of time, submit their requests for the following years funding.⁸³ A period of bargaining follows, with any outstanding problems dealt with in a ‘star chamber’ that autumn prior to the autumn statement in the House of Commons.⁸⁴ Early the following year the Government publishes its expenditure plans for the next two years, for example in January 1989 the plans for 1989-1990, 1990-1991, and 1991-1992 were published.⁸⁵

Assuming that the defence budget survives the public expenditure round relatively intact, the finishing touches can be placed to the annual Statement on the Defence Estimates. This document is known also as the Defence White Paper. This provides the House of Commons with statistical information on the Ministry’s activities as well as the unclassified summary of the threat assessment, and details concerning the composition of the armed forces, and procurement projects underway.

⁸¹ HM Treasury, *Economic Briefing* No. 1. December. 1990. p. 1.

⁸² Pliatzky, L. *The Treasury under Mrs Thatcher* (Oxford: Basil Blackwell 1989). Ch. 15. p. 160.

⁸³ *op. cit.* Browning. Ch. 9. The Public Expenditure Survey ‘spans more than twelve months, because one round begins before the previous round is brought to a conclusion’ p. 220.

⁸⁴ Lawson, N. *The view from No. 11: Memoirs of a Tory radical* (London: Bantam Press 1992). pp. 289 - 293. The Star Chamber was formally known as Misc. Committee 62.

This document provides the basis in part for the House of Commons Defence Committee established in 1979 to exercise its function as an over-sight body, with its annual statement on the defence white paper. The Committee is composed on the basis of the result of the previous election, therefore the government will always have a majority on the Committee.

Its aim is to engender a sense of accountability in its home department, as the Committee can call the Minister or civil servants before it to give evidence. The effectiveness of the Defence Committee was demonstrated in its inquiry into the *Westland* affair, where the emphasis upon impartial analysis rather than adversarial politics transferred to another forum led to some valuable insights.

However, the Committee suffers from an Achilles heel in terms of access to information. Classified information of a certain level is made available only with permission of the Secretary of State - however, how does one request access to information that one cannot know about? The Committee is to an extent hostage to the Ministry which feeds it with witnesses and papers to work from.

However there is a perception that the Committee provides a greater measure of accountability, the Chairman noting, 'that we have got their attention.'⁸⁵ A contrary

⁸⁵ HM Treasury, *Cm601. The Government's expenditure plans 1989 - 90 to 1991 - 92 chapter 1 - Ministry of Defence* (London: HMSO 1989). p. 1.

⁸⁶ Mates, M. 'The role of the House of Commons Defence Committee: Relationships and prospects' in *RUSI Journal* Vol. 135 No. 3 (Autumn 1990). p. 72. At this point Michael Mates MP was Chairman of the Defence Committee. See also Hockaday, A. 'Parliamentary control of defence: The role of select committees' in *RUSI Journal* Vol. 135 No. 1. (Spring 1990). pp. 7 - 10. and McDonald, O. *The defence select committee 1979-92* (London: Brassey's, Centre for Defence Studies 1993). Further George, B MP

view however is provided by a former special advisor to the Secretary of State for Defence, ‘I think its own perception of its influence is at times exaggerated.’⁸⁷

A further legislative barrier for the Ministry is the Public Accounts Committee. This Committee is significant due to the fact that it receives reports from the National Audit Office and is responsible financially for the body rather than the Treasury. It is to all intents and purposes independent, although staffed by civil servants. Further as McIntosh notes, the Chairman of the Public Accounts Committee is virtually always a former senior minister, which assists in lending the committee a certain *gravitas*.⁸⁸

Having described the major organisations that would be involved in defence planning, the Ministry of Defence and the Treasury, the bodies within that have influence upon policy such as the Defence Intelligence Staff, and Parliamentary oversight bodies such as the Public Accounts and Defence committees, and the National Audit Office, it is my intention to suggest the impact which these bodies operating routines had on the decision to pursue Options for Change.

Given that governmental organisations often have their roles duplicated, or delegated in a manner which whilst perfectly nonsensical administratively, is perfectly understandable politically, conflicts are bound to arise in examining organisational

& Morgan, J D. *The Defence select committee: Presented to a symposium on “The Whitehall Machine” Royal United Services Institute for Defence Studies November 6th 1997.*

⁸⁷ Simpson, K. ‘Frock coats, mandarins, and brass hats: The relationship between politicians, civil servants and the military’ in *RUSI Journal* Vol. 137 No. 1 (Feb. 1992). p. 62.

⁸⁸ *op. cit.* McIntosh. pp. 55 - 56. In 1990 the Chairman was the Rt. Hon. Robert Sheldon MP.

outputs. Bruce-Gardyne observed, ‘British civil servants are territorial animals, and nothing arouses such passions round the [Whitehall] village as trespass.’⁸⁹

In the late 1980s as the public finances tightened due to the impending recession, and the Soviet threat began to diminish in stature, a certain amount of evidence can be observed of departmental politicking between the Ministry of Defence and its ‘rivals’.

McDonald cites a situation where the Defence and Public Accounts Committee were both examining problems with procurement in 1989. The Defence Committee wanted access to the Accounts Committee’s evidence to assist their own investigation, but were denied.⁹⁰ As an example of organisational process both committees were following their own procedures without regard for activities conducted by the other, thus duplicating effort.

The Ministry’s involvement in an international naval programme was withdrawn in 1989, but sources the following year observed, ‘The participation in the NATO frigate replacement 90 was axed last year by the Treasury, not the defence ministry.’⁹¹

Clearly, given the identification of the funding gap in the mid 1980s, and the changing international environment, plus domestic economic retrenchment, it seems that the Ministry of Defence was facing a series of challenges to its budget, given the management problems of its major projects. Simpson noted that the Ministry could in

⁸⁹ *op. cit.* Bruce-Gardyne. Ch. 4. p. 62. Bruce-Gardyne was formerly an Economic Secretary to the Treasury from 1981 to 1983.

⁹⁰ *op. cit.* McDonald. p. 16.

⁹¹ Cook, N. ‘Changing winds of fortune’ in *Jane’s Defence Weekly* 14 (9) (01.09.90). p. 326.

the past point to the Soviet threat, as perceived by the Defence Intelligence Staff, and justify projects through the Treasury. The fall of the Berlin Wall however, had removed this certainty.⁹²

The Treasury by the start of 1990 was already advancing plans for the public expenditure through until 1992-93.⁹³ Given the start of the recession, the government had added to public spending £2.2, £7.9, and £11.6 billion respectively for the years 1991, 1992, and 1993. Clearly there were problems which needed to be addressed.

To consider the organisational process paradigm as the key influence behind the Options for change review, what can be said tentatively, given the release of few documents, about its impact? It has been demonstrated that the planning cycles of both the Ministry and the Treasury, particularly with regard to factoring in a projected figure for inflationary pressures, can lead to severe difficulties as were experienced throughout the 1980.

Departmental politics offered the Treasury an opportunity to seek reductions in the defence budget given the poor project management exercised by the Ministry, coupled with the changing environment in Central and Eastern Europe. The parliamentary oversight committees facilitated reports which highlighted the Ministry's problems, exposing the organisation to the budgetary predators.

⁹² *op. cit.* Simpson, p. 62.

⁹³ Centre for Defence Studies, *United Kingdom defence policy in the 1990s* (London: CDS 1992), p. 10.

One issue which whilst hypothetical, given the lack of evidence, but of interest to this analysis, is the role of the political figures in the Ministry. Was initiating the review, a means for individuals to wrest the initiative from the Ministry of Defence? In order to consider this it is appropriate to consider the final analytical lens, that of governmental (bureaucratic) politics.

IV - OPTIONS FOR CHANGE: THE BUREAUCRATIC POLITICS MODEL

This final examination of the decision making process leading to the Options for Change review considers the bargaining process between the political figures, astride the administrative Departments of State. It could be suggested that there are difficulties in applying this framework to such a recent event.⁹⁴ Memoirs of the principal participants are both few and brief in their discussion of relatively recent government business.⁹⁵

Essentially there are two elements to consider in this analysis of the decision making process which led to the review - interactions between political figures within the Ministry of Defence, and broader interaction with the cabinet and Prime Minister.

An important part of this process is the manner in which factions within the organisations represented by Ministers make their views heard. These action channels, because of a lack of public information are not considered within the confines of this report.

⁹⁴ A description and analysis of the Governmental (bureaucratic) politics model are contained in Ch. 1. pp. 14 – 15. *op. cit.* Allison (1971). Ch. 5. pp. 144 – 184.

A Ministerial reshuffle on the 24th July 1989 saw the appointment of a new team of ministers to the Ministry of Defence. Tom King, (the Secretary of State), had worked previously with Alan Clark (Minister for Defence Procurement) during the 1980s at the Department of Employment. Alan Clark suggested in his *Diaries* that his relationship with King was somewhat less than satisfactory.⁹⁶ A journalist friend of Clark's noted that, 'Mixing Alan Clark and Tom King could be the only mistake of the reshuffle.'⁹⁷

The previous Secretary of State for Defence George Younger had enjoyed very good relations with the Prime Minister.⁹⁸ He had been able to broker a deal with the Treasury to obtain clarity as to the budget for defence in the late 1980s and establish a carry-over for funds saved through cost cutting. It could be suggested that possibly his replacement by a weaker figure lacking Younger's presence enabled the Chancellor to strip away the carry-over facility bringing forward the requirement for a review of defence policy.

Given Clark's role in procurement, the area in which decisions are made first, when considering change in defence expenditure, his participation in a review would be inevitable. Already he had written a twenty-year projection of defence requirements in 1984.⁹⁹ This coupled with the impression that his position in Procurement at the Ministry of Defence would be his last chance to succeed in politics, by obtaining a senior ministerial post, suggested a willingness to take risks.

⁹⁵ *op. cit.* Thatcher. Ch. 26. p. 812.

⁹⁶ Clark, A. *Diaries* (London: Weidenfield & Nicholson 1993). Upon King's promotion to Secretary of State for Northern Ireland Clark noted, 'He always loses in Cabinet... This, and his testy manner with officials, has eroded his support in Whitehall'. 1985. p. 109.

⁹⁷ *ibid.* 1989. p. 253.

⁹⁸ *op. cit.* Thatcher. Ch. 25. p. 756. Upon his leaving the PM noted that, 'George's departure was something of a blow. I valued his common sense, trusted his judgement and relied on his loyalty'.

His opportunity came, according to his recollections at a seminar at Chequers concerning developments in the CFE conventional forces negotiations. Apparently, by breaking precedents he requested in September 1989 that he be able to write a paper on ‘equipment requirements over the next five years.’¹⁰⁰ There then started a series of political manoeuvres. The Treasury team of Chancellor Lawson and Secretary Lamont were keen on cuts in defence expenditure (which would assist them in their goal of lowering overall public expenditure).

However, why did the Prime Minister not charge the Secretary of State for Defence with the task of writing a review ? It is a well known fact that Prime Ministers regardless of their political persuasion enjoy creating creative tension between their ministers.

Furthermore the Prime Minister was in her third term as leader with a commanding majority in the House of Commons. This dominance led to a leadership style which was suggested by her Chancellor Lawson, ‘as disagreeably strident, excessively authoritarian, and unbearably bossy.’¹⁰¹ The 1986 *Westland* affair had caused the Prime Minister to believe that, ‘her colleagues were troublesome and her courtiers were loyal.’¹⁰² These characteristics possibly led the Prime Minister to come to a conclusion on policy issues based on instinct, and then support people who supported them. This it

⁹⁹ *op. cit.* Clark. 1984. p.100.

¹⁰⁰ *ibid.* 1989. p. 258.

¹⁰¹ *op. cit.* Lawson. Ch. 79. p. 1001.

¹⁰² *ibid.* Ch. 54. p. 680. This Defence Industry controversy led to the resignation of the then Secretary of State for Defence, Michael Heseltine, who had a pivotal role in the effort to remove the Prime Minister, Margaret Thatcher, in 1990.

could be suggested was the motivation behind sanctioning formally Clark's 'shadow study'.

Having completed the shadow study by December, the official study prepared by the senior civil servant at the Ministry of Defence was completed shortly after. At a Departmental meeting Clark recalls that the shadow study received much attention the Secretary of State noting that, 'we have all got to ensure that this does not get into the hands of the Prime Minister.'¹⁰³ Unfortunately for Clark he had already passed it onto No. 10 Downing Street.

Throughout 1990 Clark's memoirs suggest that his report was smothered by the Secretary of State who sought to take control over proceedings. The Ministry of Defence's official effort was created by two staffs, one under the leadership of Sir David Craig, Chief of the Defence Staff. The second, a team from the Office of Management and Budget led by the Second Permanent Under Secretary. Both teams reported directly to the Secretary of State. The two staffs provided respectively a strategic analysis, and economic assessment.¹⁰⁴

The Secretary of State for Defence in turn, reported to a Cabinet Committee (one of the Misc. series) consisting of the Prime Minister, and the Secretary's of State for Defence, Foreign Affairs, and the Chancellor of the Exchequer. The small numbers involved

¹⁰³ *op. cit.* Clark. pp. 263 - 264.

¹⁰⁴ *The Times* (23.03.90), 'MoD faces White paper dilemma on East bloc changes' See also *op. cit.* HMSO. HC45. p. 31. para. 1331.

highlighted the fact that the government had been embarrassed during the 1981 review and wanted no repeat of the event.¹⁰⁵

The start of the British Commitment to Kuwait and Saudi Arabia gave, in Clark's words, 'the AF [Armed Forces] side of the department a renewed *raison d'être*.'¹⁰⁶

This meant that procurement issues would take second place to the task at hand, ending albeit temporarily the pressure on finances. In the meanwhile a leadership challenge from within the Conservative party led to a change of Prime Minister.

What can be inferred from this case study about government activity? Clearly the personalities, their aspirations (Alan Clark for example), and belief systems (the Prime Ministers) all impact on decision-making, shattering rudely the myth of the cool, rationalised debate over policy options within the framework of collective responsibility. In the case of the commencement of the Options process personalities were key in the breakdown within and between the Ministry of Defence and the Treasury.

The Governmental (Bureaucratic) Politics model has limited utility other than as an organising device for material in this instance. The nature of collective responsibility in the British Cabinet system means that the only events we can observe are those released in biographies or press reports. Compared to the Intra-Governmental Decision model it is not possible, without dynamic trust and reputation issues, to adequately interpret the Options for Change process.

¹⁰⁵ *Daily Telegraph* (22.03.90), 'Secret defence review to consider forces cuts after E Europe upheaval'.

¹⁰⁶ *op. cit.* Clark. 1990. p. 335.

CONCLUSIONS

In summary this application paper has sought to show the utility of the Intra-Governmental Decision model vis-à-vis the Allison framework in a contemporary situation. The primary advantage of the Allison framework appears to be as a mechanism for organising a wealth of information into readily assimilated parts within a coherent whole.

- The Rational Actor Model facilitates an examination of defence policy making as arising from the state considering courses of action, their costs and alternatives.
- The Organisational Process Model hints at the interaction between organisations which both adds a second layer of richness to the picture, and simultaneously demonstrating the operation of government.
- The Governmental (Bureaucratic) Politics model shows the process of bargaining between the figures at the pinnacle of their respective agencies in government.

The three models are complimentary, as having read an interpretation of each, when applied to the 1990 defence review, the reader is left with a sophisticated understanding of the situation. This may have not been possible using merely the traditional classical model.

The four models provide the reader with different perspectives from which to consider not only a historical case study but also as a magnifying lens through which to see how

decision-making bodies are responding to the challenges of implementing the Strategic Defence Review against a background of rapid environmental change.