

# 13. The Cold War: Costs and Results

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# Character of the Cold War

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**Causes** (much debated: Williams 1959; Gaddis 1972; Applebaum 2012).

- Unresolved inter-Allied conflicts stemming from the outbreak of World War II.
- Nazi-Soviet agreement to destroy Poland in 1939 was the trigger for that war.
- Postwar treatment of Poland became the acid test of the wartime Alliance.

**First shots** of the Cold War accompanied the end of WW2:

- East Europe: suppression of Polish independence.
- East Asia: Atomic bombing of Japanese cities.

**Motivations:**

- Rival values of the great powers.
- USA: a democracy committed to free markets and non-discrimination in world trade.
- USSR: a dictatorship committed to national mobilization under authoritarian rule.

**Result:** Equilibrium tension.

# Character of the Cold War

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Equilibrium tension, not war:

- Nuclear stalemate: “balance of terror.”
- Humanist ideologies: liberalism vs collectivism.

In Europe, peaceful coexistence:

- Foreground: Economic and cultural competition.
- Competing narratives of legitimation.
- Soviet communist rule: a narrative of encirclement and penetration.
- American democracy: revolutionary war against unjust colonial rule.
- Background: Atomic spies, subversion, and counter-intelligence.

Elsewhere, violence through proxies:

- Korea, North vs South.
- Vietnam, North vs South.
- Egypt vs Israel.
- And many, many more.

# The Balance of Terror

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The **nuclear weapons** race:

- In 1945, US bombs were large and low-yield (15-20 kilotons, rising to 500Kt).
- USSR followed quickly (1949).
- Hydrogen bombs: USA (1952), USSR (1953), up to 50Mt.

The **delivery** race:

- In 1945, one plane, one bomb.
- Propeller engines → jet bombers (B47, B52) → intercontinental missiles by 1960.
- First liquid-fuelled missiles (based on Germany's wartime V-2) took hours to prepare and launch.
- Vulnerable to surprise attack; had to be buried underground.
- Pointless to fix on military targets, which were small and mobile.
- Suitable only for large fixed targets: cities, for example.

# The Balance of Terror

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By 1951 the Soviet Union had a deliverable nuclear weapon.

In January 1954 U.S. Secretary of State John Foster Dulles announced that the US would protect allies against Soviet attack by **massive retaliation** against Soviet cities: “mutually assured destruction” (MAD).

But what was to prevent either side from striking first, imposing destruction only on the other side?

Under MAD, mutual deterrence was stable under three conditions:

- **Assured second-strike**: Each side, if threatened by a first strike, must be able to retaliate. To ensure this, both sides eventually developed the nuclear “triad” (strategic bombers continually in flight; land-based missiles in underground silos; submarine-launched missiles in the deep ocean).
- **Credible commitment**: Each side, considering a first strike, must believe in the other side’s absolute determination to retaliate. To ensure this, both sides considered “doomsday” devices to trigger automatic retaliation if central command was destroyed, and the Soviet Union actually developed one (“Perimeter”).
- **No defence**: Each side, considering a first strike, must be unable to defend against the enemy’s retaliation. To guarantee this, the Anti-Ballistic Missile Treaty of 1972 committed both sides to limit ABM defences.

Relax any one of these conditions → incentive to attack immediately.

# The Balance of Terror

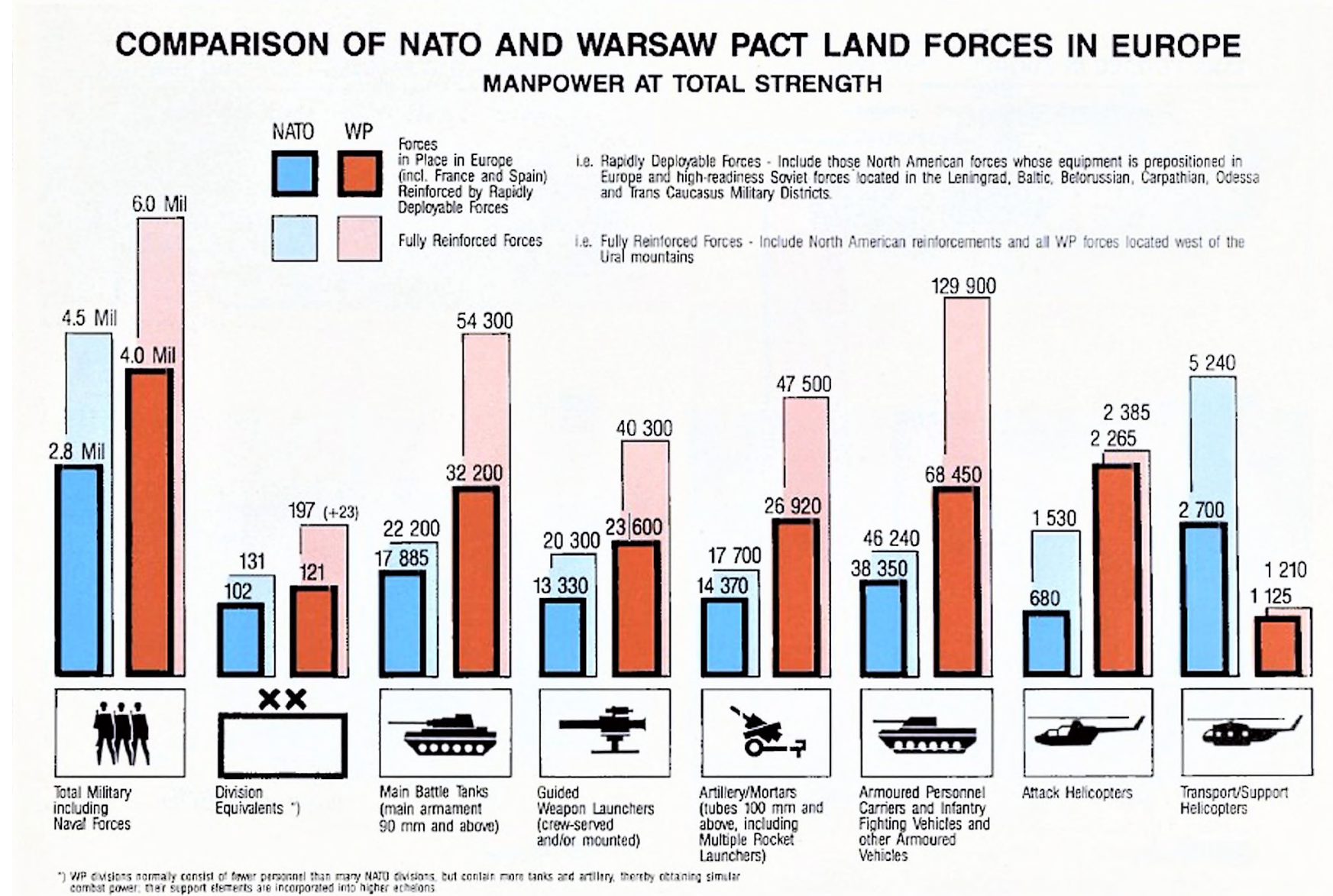
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Mutual assured destruction was a two-sided threat.

During the era of massive retaliation (1954-1974), however, **asymmetric doctrines** emerged:

	<b>NATO</b>	<b>Warsaw Pact</b>
What prevents war?	Deterrence	Fighting power
Nuclear vs conventional force	Partial substitutes	Complements
Role of NW	Punishment	Victory
Role of conventional force	Tripwire	Victory
Possible to win a conventional war in Europe?	No	Yes
First use of NW?	Yes	No
Mutual assured destruction?	Yes	No: <b>We</b> will survive

# Balance of military forces in Central Europe, 1975.



Source: NATO at [https://www.nato.int/cps/en/natohq/declassified\\_138256.htm](https://www.nato.int/cps/en/natohq/declassified_138256.htm) (18 February 2019).

# The Balance of Terror

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Implications for defence outlays/GDP, percent:

Country	1870-1913	1920-1938	1954-1969
USA	0.7	1.2	10.2
UK	2.6	3.0	7.4
France	3.7	4.3	7.0
Germany/West Germany	2.6	3.3	4.7

Sources: All countries, 1870-1913 and 1920-1938 from Eloranta and Harrison (2010). NATO countries, 1954-69, averages calculated from Peden (2007: 259).

- Permanent **war readiness**.
- Permanently higher **military burdens** on the economy.



# Massive Retaliation to Star Wars

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Massive retaliation did not last.

**Credibility:** If conventional war broke out in Europe, would America really risk its own cities?

**Technology:** The 1970s saw development of cruise missiles and battlefield nuclear weapons (Onorato et al. 2014):

- Usable against Warsaw Pact conventional forces in Europe, not against Soviet cities.
- Neutralizing the Warsaw Pact conventional advantage.
- Without triggering mutual assured destruction of cities.
- Undermining the logic of massive retaliation.
- By **reducing the price of nuclear war**.

# Massive Retaliation to Star Wars

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In January 1974 US Secretary of Defense James Schlesinger abandoned massive retaliation for **flexible response**.

- The United States would respond to aggression flexibly, case by case, not committed to massive retaliation.
- Options including limited nuclear strikes against military targets (not cities).
- While conserving U.S. second-strike capability.
- Leaving open the possibility of negotiated settlement before all-out nuclear war.

Flexible response carried seeds of new **instability**.

- Europeans worried that nuclear war had become more likely.
- The Soviets worried that NATO was preparing a first strike.
- Everyone worried that the threshold of war was being lowered.

# Massive Retaliation to Star Wars

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**Background:** The ABM Treaty (1972):

- For the sake of strategic stability, both sides had agreed not to build anti-missile defences.
- Because ABM defences risked destabilizing the balance of terror.

U.S. President Reagan's **Strategic Defense Initiative** (1983) carried this risk.

- Or would have, if it had been feasible at the time.
- And frightened the daylights out of Soviet leaders.

The Cold War ended before this was put to the test.

**A new Soviet leader**, Gorbachev, concluded the stakes no longer justified the conflict.

- A “common European home.”
- Retreat from the Brezhnev doctrine.
- “Minimal” deterrence.

The Berlin wall fell.

The Soviet Union collapsed.

The Cold War came to an end.

## U.S. Cold War Costs

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Direct US costs: Billion dollars at 1982 prices:

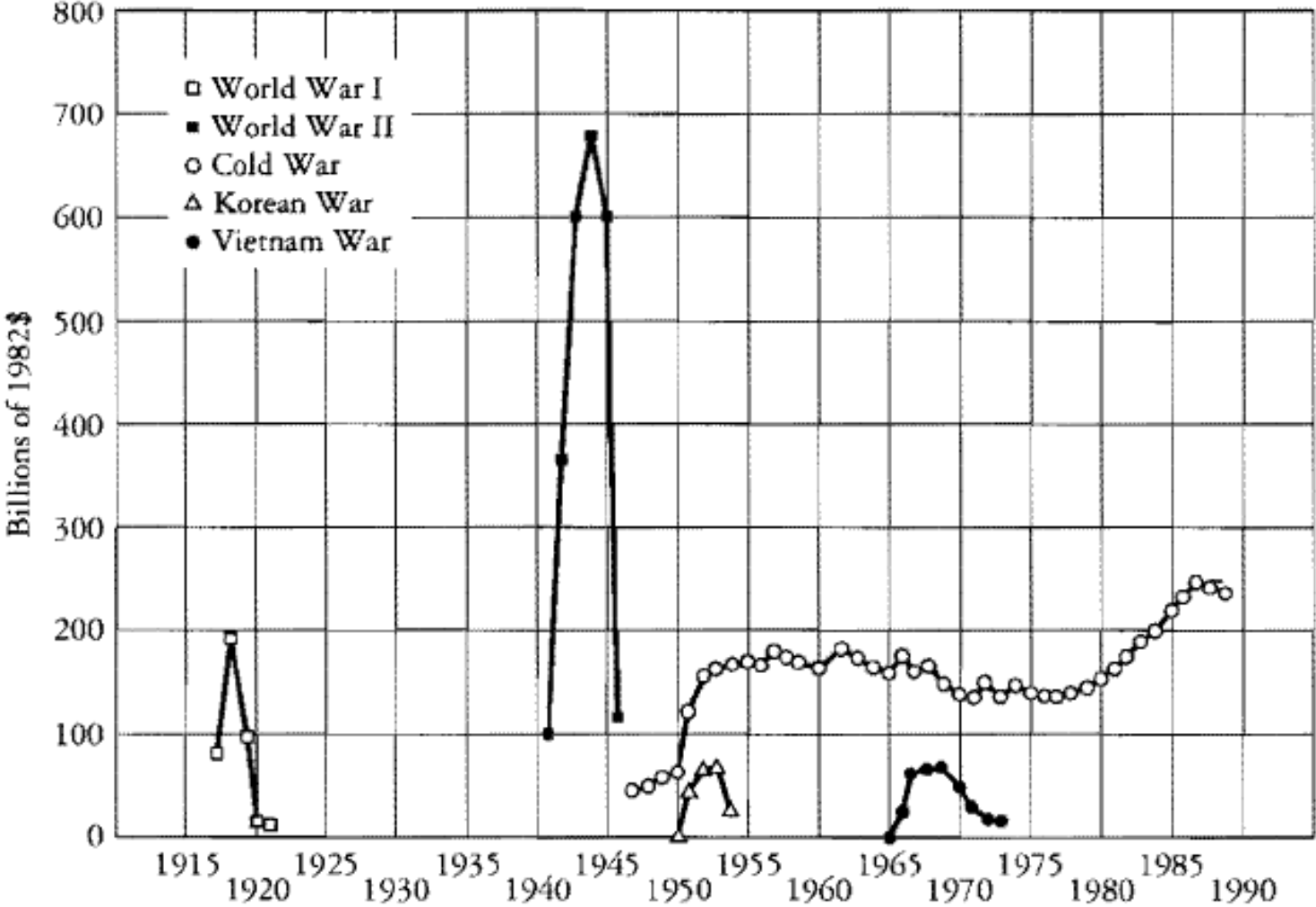
	Total	Per month
WW1	377.9	18.9
WW2	2459.7	54.7
Korea	206.3	5.6
Vietnam		
Upper limit	392.5	3.8
Lower limit	313.2	3.1
Cold War		
Upper limit	6621.3	12.9
Lower limit	4289.7	9.0

Note: Figures are incremental outlays over a peacetime baseline, normally the year prior to the outbreak of the conflict. For this reason, timing the outbreak is important. Cold War costs are net of the Korean and Vietnam wars; upper and lower limits for Vietnam represent rival estimates; upper and lower limits for the Cold War represent alternative baselines (1940 gives the upper limit and 1949 the lower limit).

Source: Edelstein (2000), p. 342

# U.S. Cold War Costs

Direct US costs:



Source: Edelstein (2000: 347).

# U.S. Cold War Costs

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Direct US costs: Billions of current dollars and per cent:

	Years	Total direct cost	Total GDP during war period	Cost/GDP
WW1	2	26	128	20%
WW2	4	288	923	31%
Korea	3	54	1,375	4%
Vietnam	10	111	9,677	1%
Persian Gulf	8/12	61	5,917	1%

Source: Poast (2006: 10).

# U.S. Cold War Costs

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Direct US costs: lives

	Thousands:			Killed and died per month	Wounded/ killed, ratio
	Combat deaths	Other deaths	Wounds not mortal		
WW1	53.4	63.1	204.0	5,826	3.8
WW2	291.6	113.8	670.8	9,009	2.3
Korea	33.6	20.6	103.3	1,466	3.1
Vietnam	47.5	10.8	153.3	570	3.2

Source: Edelstein (2000: 342).

# U.S. Cold War Costs

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Capella Zielinski (2016): Wars can be financed from sources that are more or less visible to voters.

- More to less visible: conscription (the draft) → income taxes → sales taxes → domestic borrowing → foreign borrowing → foreign predation.

If the war is unpopular, there is a trade off:

- Short run: governments prefer to fund wars in ways the voters will not notice.
- Long run: less visible methods encounter diminishing returns.
- In the Korean War, political support was strong at first, so taxes could be raised.
- By the time of the Vietnam War, political support was fragmented, so funding became less direct.

Evidence?

Poast (2006: 64) shows for 1947-2003:

$$\text{Private consumption/GDP} = 69.2 - 0.655 \times \text{defence share/GDP}$$

Edelstein (2000) shows:

- In the early Cold War years, the defence/GDP share increased at expense of **consumption**.
- The defence surge of the last Cold War period was paid out of **net imports**, i.e. the cost was transferred to future generations of US taxpayers.



# The Soviet Union and the Arms Race

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Did the arms race destabilize the Soviet economy? Did Reagan's SDI win the Cold War?

Historians, political scientists, and economists have not arrived at a consensus.

**History** (Kennedy 1988): in various historical narratives, excessive military spending typically leads to economic decline (but identifying what's "excessive" is vulnerable to selection bias).

**Economics** (Smith 2009): neither theory nor data support any clear relationship between defence spending and growth rates.

**Political science** (Wolfson 1985): The Soviet state faced twin challenges: military pressure from foreign enemies, insurrection by enemies at home.

- Military spending to deter the foreign enemy, consumer provision to pacify the domestic population.
- But the US economy raised both living standards and military spending faster than the Soviet economy.
- Beyond some point, the Soviet state would be either attacked or overthrown.

Is that what happened?

# The Soviet Union and the Arms Race

Was the Soviet economy destabilized by the arms race?

## Evidence for:

- Timeline: SDI (1983) → Soviet defence surge (1985) → Soviet collapse (1991).

## Evidence against:

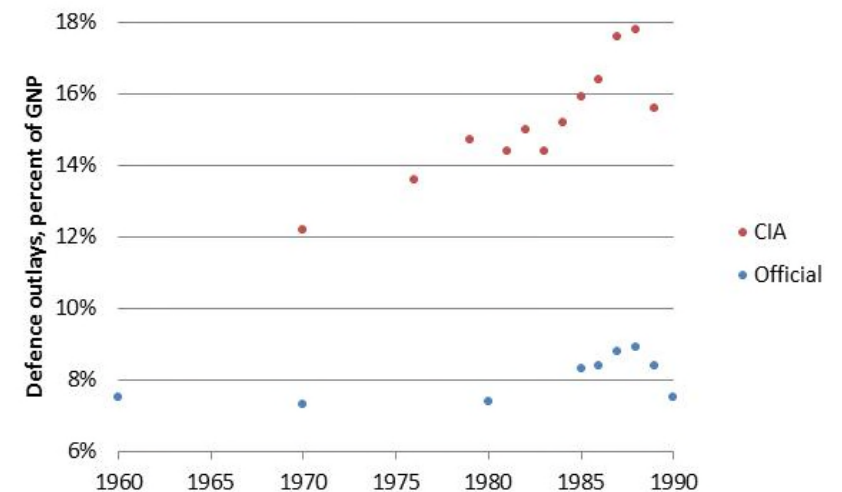
- The burden of Soviet defence outlays has been exaggerated.
- Peaked in 1988 and already declining when Soviet economy collapsed.

Source: CIA: Firth and Noren (1998: 129-130). “Official” Soviet defence outlays are given retrospectively on 1989 basis by Masliukov and Glubokov (1999: 105).

Marshal Sergei Akhromeev (Soviet Army Chief of General staff) was said to want to conceal Soviet military spending because the true figures would look **too low**:

“The propagation of myths about large outlays of the USSR’s budget on military purposes and the ‘cold war’ was advantageous to the USSR’s leaders since it provided a justification (based on ‘huge’ military outlays) of the low standard of living of people in the USSR” (from papers of Vitalii Kataev, cited by Harrison 2008).

In other contexts, revolution constraints generally not sharply binding.



# The Soviet Union and the Arms Race

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Then why **did** the Soviet Union collapse?

Why, generally?

- The **command system**: a secretive, overcentralized, autarkic economy and society unfit for an era of cheap trade and travel and free communication.
- **Ideas**: the writings of Solzhenitsyn (conservative), Sakharov (liberal), and the Medvedev brothers (democratic socialist) infected the communist party leaders with anti-communist beliefs.

Why, at that moment?

- **Economics**: oil prices collapsed and oil rents disappeared (Gaddy and Ickes 2005).
- **Politics**: The Gorbachev factor (Harrison 2002).

# What We Have Learned

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During the Cold War half century the United States spent around \$13 trillion (at 1996 prices) on defence.

- Or around two years' GDP of the U.S. in 1996.
- Other states, maybe twice as much again.

The Cold War was fraught with **risks**:

- Some were realized in limited but bloody conflicts around the world.
- Most were not realized . . . And we are here today!

Worst outcome would have been **global thermonuclear war**.

- Instead, the Cold War ended peacefully.

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