

THE FUTURE OF AMERICAN DEFENSE

FOREWORD BY JOSEPH S. NYE & BRENT SCOWCROFT

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With the imminent drawdown of U.S. forces following the end of the war in Afghanistan, and with sequestration mandating cuts to the discretionary federal budget, there appears to be little doubt that American strategic planners will face the task of advancing U.S. security and prosperity in an increasingly complex global environment with fewer resources at their disposal over the next decade. From August 6-10, 2013, the Aspen Strategy Group convened in Aspen, Colorado to examine how the United States might pursue reforms of the defense establishment in order to ensure the readiness of U.S. forces, extend our technological advantage into the future, promote American leadership abroad, and address security threats that may arise in the 21st century.

This volume contains a collection of policy papers written by distinguished defense experts that served as the basis for four days of intensive discussion. Participants of the 2013 Summer Workshop included active government officials, key members of the legislature, diplomats, business leaders, and members of the academic community. We believe that only through open dialogue among a diverse group of leaders could we arrive upon meaningful solutions to the challenges posed by the sequester, mounting costs within the defense budget, partisan brinksmanship in Congress, and the U.S. rebalance to Asia amid a series of persistent crises in the Middle East.

The Aspen Strategy Group and the Summer Workshop would not be possible without the generous and steadfast support of our partners. We are grateful to the individuals and organizations who invest their time and money for the purpose of ensuring a forum for open and bipartisan dialogue on matters of national security and foreign policy. We would like to extend the deepest thanks to the John Anson Kittredge Fund, the Stanton Foundation, the Markle Foundation, McKinsey & Company, the Resnick Family Foundation, the Margot and Thomas J. Pritzker Family

Foundation, Mr. Moses Feldman, Mr. Simon Pinniger and Ms. Carolyn Roehm, Mr. Robert Rosenkranz and Dr. Alexandra Munroe, and Ms. Leah Joy Zell.

We would also like to thank our Associate Director, Jennifer Jun, and our Brent Scowcroft Award Fellows, Chris Cornillie and Alexis Stangarone, for their essential contribution to ASG. We look forward to following their careers as the next generation of U.S. thinkers and leaders. We also appreciate the service of Gayle Bennett in proofreading and editing this publication.

The 2013 ASG Summer Workshop was certainly one of our most thought-provoking and rigorous meetings to date. The honesty and quality of discussion could not have been possible without the invaluable contribution of distinguished Aspen Strategy Group members, to whom we are sincerely grateful. We would like to thank the experts whose papers and presentations oriented our discussion sessions and whose unique perspectives enriched the debate. We are also thankful for the contribution of several government officials who took time out of their extremely busy schedules to share their insights with the group, as the U.S. undergoes this period of strategic transition.

Finally, we are most indebted to the leadership of our co-chairmen, Joseph Nye and Brent Scowcroft, upon whose expertise and vision the Aspen Strategy Group is founded. Under their guidance, ASG has grown to become the preeminent forum for innovative strategic thinking on U.S. foreign policy and a beacon of bipartisan thought in this era of political division.

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Foreword

by ASG Co-Chairmen

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When the clock struck midnight on March 1, 2013, months of brinksmanship between President Obama and Congressional Republicans had failed to yield a bipartisan compromise on future deficit reductions, triggering a proverbial doomsday scenario of automatic across-the-board spending cuts known as sequestration. An instrument of self-induced austerity, the sequester arrived at a particularly difficult time for the Department of Defense and other institutions tasked with ensuring the security of the United States and its allies. It mandates reductions in defense spending upwards of \$77 billion by the end of 2014, which many experts warn will exacerbate the immense challenge of reforming the U.S. military after more than a decade of war in Iraq and Afghanistan.

As has been the case many times throughout its history, the United States finds itself at a crossroads with stark disparities between ends and means. The broad aims of U.S. foreign policy – maintaining a free and open global economic system, ensuring the stability of key regions of the globe, countering the influence of extremist ideologies, constraining the proliferation of nuclear weapons, and ensuring the peaceful rise of new powers – vastly overshadow the resources at our disposal to achieve these objectives.

Some experts have responded to these realities by urging the United States to disengage from our forward military posture, to shift burdens onto our allies and regional partners, and to tolerate a manageable degree of risk in our ability to shape international outcomes. Others posit that, given the indispensable role of the United States in the international system, the risks of retrenchment are simply far too great. Citing our historical tendency to focus domestically following major conflicts, they

contend that detachment from global affairs may embolden our rivals to challenge U.S. leadership and induce a crisis of confidence in the institutions and values that underpin the very global order that the U.S. worked hard to establish.

In August 2013, the Aspen Strategy Group convened its annual Summer Workshop, attended by more than sixty of America's most respected leaders in government, diplomacy, academia, and business to discuss the future of American defense in an era of austerity. The Aspen Strategy Group, a policy program of the Aspen Institute, was founded more than thirty years ago with an initial focus on the U.S.-Soviet relationship and arms control, but has since evolved to examine the most critical foreign policy and national security issues confronting our nation and the rest of the world. Over the course of four days, the Group examined the most pressing issues in U.S. defense policy, including the impact of the sequester; the dangers of unsustainable increases in DoD overhead costs; the Obama administration's strategic rebalance to Asia; the integration of military, diplomatic, and intelligence capabilities; and the need to restructure U.S. ground, naval, and air forces for twenty-first century operations. In addition, we held panel discussions on the evolving situations in Egypt and Syria, the role of drones in U.S. strategy, and the potential for renewed talks with Iran.

Despite the often diverse views of ASG participants, our discussions ultimately converged on three points of agreement. First and foremost, the crisis we find ourselves in today is as much political as it is fiscal. On Capitol Hill, deficit hawks continue to outmaneuver defense hawks, while the administration's pledges to end U.S. conflicts overseas and to concentrate on nation-building at home have proven salient on both sides of the aisle. These factors have forestalled serious bipartisan discussion of meaningful reform. Second, austerity is itself a relative term, and sequestration represents a blunt object where more precise instruments are needed. As emphasized by the Defense Department's civilian and military leadership, the sequester imposes unrealistic constraints on our ability to enact sensible defense reforms. Any mandatory spending cuts will require greater flexibility going forward if we are to avoid mortgaging our forces for the sake of political expediency. And third, although declining defense budgets will necessitate shifting attention toward certain key regions and tolerating greater levels of risk in others, recent events in Egypt, Syria, and Iran illustrate the importance of remaining closely engaged in the Middle East and sustaining our ability to influence political outcomes there. Clearly, this will be balanced with American efforts to play a greater role in Asia as there remains a broad consensus that participation in Asian affairs will be a central task of U.S. foreign policy in the twenty-first century.

Americans must resist the temptation to frame our narrative as a dichotomy between upholding our commitments abroad and retreating inward. It would be remiss for our nation's leaders not to recognize that departing from a post-9/11 strategic concept, as well as post-9/11 defense budgets, may present a valuable opportunity to re-examine the fundamental goals and requirements of U.S. national defense. While there will be trade-offs involved in any course of action, the United States is in a strong position to control rising DoD costs without compromising the combat-readiness of our forces or sacrificing our technological advantage on the battlefield. And despite the specter of declinism, we can devise ways to persist without becoming mired in intractable conflicts around the globe. But there remain obstacles in the form of legislative gridlock, bureaucratic inertia, and rapidly-evolving crises abroad that may obstruct or divert the efficient use of resources. This will demand flexibility and sound strategic planning on the part of our policymakers. Constrained budgets require creative thinking.

The goal of the 2013 ASG Summer Workshop was to engage in open conversation and devote this group's diverse array of expertise to use the aforementioned creative thinking to develop bipartisan strategies for these tremendous challenges. We believe this volume reflects these goals, as well as the spirit of our dialogue in Aspen.

Finally, we hope that this book might be of use to the thought leaders and policymakers actively involved in this important work and serve as a guide for young men and women interested in a career in foreign affairs who will likely wrestle with these questions themselves one day.

Preface

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There is no more important issue for the future of our country than ensuring the strength and effectiveness of our armed forces. We know that our ability to defend our interests and values and keep the peace across an unstable, unpredictable, and challenging world depends, in large measure, on the men and women of the United States military.

This volume of essays by some of America's most experienced and perceptive leaders tackles the core question President Obama and the Congress need to address in the coming year—what is the right defense strategy for the United States at this transformative time in our history?

The Aspen Strategy Group (ASG) is uniquely positioned to consider this issue. Entering our fourth decade, we are a nonpartisan group of former secretaries of state and defense, national security advisors, ambassadors, generals, professors, journalists, and business leaders who meet annually at the Aspen Institute in Colorado to discuss the most important international issues affecting our country. We also conduct ongoing, annual dialogues with government and private sector leaders from China, India, Europe, and Brazil.

At our August 2013 meeting, we spent four days focusing on the Future of American Defense. We felt this was a particularly important time to discuss this vital issue. With our withdrawal from Iraq and the imminent drawdown of the majority of American and NATO ground forces from Afghanistan, the U.S. is bringing to a close the longest and most intensive period of combat in our history. Coupled with the challenges of the budget crisis and political dysfunction in Washington, D.C., this is also a time of tough and consequential choices for the defense budget.

As has happened after most of our wars, there is now significant momentum in Congress and desire from the public to reduce the extraordinary cost of national defense and to rightsize the military for peacetime.

At the same time, however, we know that we need to maintain a defense capability that is second to none in the world. The U.S. is still, by far, the strongest military power in the world and the vital organizer of international stability. Without a robust American navy and air force to ensure the free flow of commerce and the safety of the sea lanes, the world would be more violent and less secure. And without the presence of the U.S. Army and Marines in South Korea, Japan, the Middle East, and Europe, the risk of significant regional conflict would be far greater.

As Princeton University Professor John Ikenberry has written, the United States is, in many ways, the “system operator” of the globe. Given our leading role and undisputed power, more of the responsibility for global peace and security rests on the U.S. than any other country.

This volume includes the principal essays and policy papers prepared for our discussions in Aspen. We hope they will help readers here in the U.S. and around the world reflect on the hard choices and difficult trade-offs we must make in the years ahead to maintain the quality and effectiveness of the U.S. military.

Professor Mel Leffler of the University of Virginia contributed an insightful lecture tracing how earlier generations of American leaders dealt with defense reform after previous wars. ASG members Philip Zelikow and Michèle Flournoy authored compelling and complementary papers on our future defense strategy in a post-9/11 world.

In Aspen, we also focused on arguably the two most important regions for American defense in the next decade—Asia and the Middle East. Former Assistant Secretary of State for East Asia Kurt Campbell offered an impressive account of the so-called U.S. “pivot” to Asia announced by the Obama administration in its first term. And, Brookings Institution defense expert Michael O’Hanlon contributed a valuable perspective on our future defense posture in the volatile Middle East.

Our group also discussed at length in Aspen how to advance intelligent reform of the Pentagon budget and operations in the decade ahead. Former Clinton administration defense expert Gordon Adams took a hard look at the Pentagon budget for intelligent reductions and reforms. And McKinsey experts Diana Farrell and John Dowdy offered a comparative look at what other countries have done to secure savings.

Former Deputy Secretary of Homeland Security Jane Holl Lute explored the need to engage the entire U.S. government—defense, diplomacy, intelligence, and law enforcement—to protect our country and advance its values and interests in the world.

Finally, former *New York Times* and *Wall Street Journal* editor and journalist Carla Anne Robbins contributed her thoughts on the challenges of achieving sensible defense reform given strained relations between Republicans and Democrats in Congress.

We hope this book will help engage the public here in the U.S, as well as people worldwide, in a broad, civil, and sensible debate about the need for a strong, intelligent, and productive American defense, reconfigured for the many challenges of the 21st century.

Part

I

THE CHANGING SECURITY AND
BUDGET ENVIRONMENTS

The Fifth Annual Ernest May Memorial Lecture

Austerity and U.S. Strategy: Lessons of the Past

Melvyn P. Leffler

Professor
University of Virginia

CHAPTER 1

U.S. Defense Strategy in a Post-9/11, Post-War Era of Austerity

Michèle Flournoy

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CHAPTER 2

Defense Entropy and Future Readiness, Fast and Slow

Philip Zelikow

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“If World War II and the Cold War were competitions between alternative ways of life, which they were, cycles of austerity helped officials keep a focus on the main sources of U.S. primacy: the productivity of its economy; the solvency of its government; the health of its financial institutions; the education of its people; the appeal of its consumer culture; and the vitality of its political and economic system.”

—MELVYN P. LEFFLER

The Fifth Annual Ernest May Memorial Lecture

Austerity and U.S. Strategy: Lessons of the Past

Melvyn P. Leffler

Professor
University of Virginia

Editor's Note: Melvyn Leffler presented the annual Ernest R. May Memorial Lecture at the Aspen Strategy Group's August 2013 workshop in Aspen, Colorado. The following are his remarks as written for delivery. The Ernest May Memorial Lecture is named for Ernest May, an international relations historian and Harvard John F. Kennedy School of Government professor, who passed away in 2009. ASG developed the lecture series to honor Professor May's celebrated lectures.

It is an honor to be asked to deliver the Ernest May memorial lecture. Ernest was a great historian. He wrote thoughtfully about disparate events, from World War I to the Spanish-American War to the Monroe Doctrine to the Cold War. He wrote about the loss of China and the Fall of France. Among other things, he focused on public opinion, organizational behavior, bureaucratic politics, and human agency. Few historians have approximated his breadth and depth.

Ernest emphasized that policymakers could learn important lessons from thinking about the past. By looking at key moments in the 20th century—World War II, the origins of the Cold War, the reaction to North Korea's attack on South Korea, the decision to escalate in Vietnam in the mid-1960s—Ernest showed that policymakers, however wise and experienced, often used history badly. In books, articles, and his famous courses at the Kennedy School, he sought, along with Dick Neustadt, to show how history could serve policymakers. He and Dick were always modest in their claims, suggesting only that history could help officials think more incisively about appropriate analogies, thereby enhancing policymaking at the margins—not transforming decision-making, just marginally improving it.

More than anything else, May and Neustadt stressed that present crises should be examined as part of a historical stream. Thinking in time, they said, would not yield clear-cut solutions to ongoing crises but would help illuminate context, options, and dilemmas. Thinking in time, they argued, would make officials realize that most challenges are not new; uncertainty is persistent; risks and imponderables are omnipresent. Therefore, they regarded “prudence” as the ultimate prize. “Thinking in time as a stream,” May and Neustadt emphasized, was most important for the achievement of prudence.

So, we should begin by recognizing that making strategy in a time of austerity is not new. U.S. officials have repeatedly faced times of austerity. Today, I want to look quickly at five such times: before World War II; at the onset of the Cold War; after the armistice in Korea; during the denouement in Vietnam in the early 1970s; and after the end of the Cold War, 1990-1993. I want to suggest how history—in the spirit of Ernest May—might illuminate, not answer, but provide ways of thinking about how to handle moments of austerity to craft national security strategy. This is not a new challenge.

Lest you think it is novel, you might recall the tragic death of James Forrestal, the first secretary of defense. On May 22, 1949, sometime after midnight, he sat in his room on the 13th floor of Bethesda Naval Hospital reading and copying passages of a brooding poem by Sophocles. Then, he rose from his chair, tied one end of his dressing gown sash to a radiator just below his window and tied the other end around his neck. He then removed the screen from the window, climbed outside, and either jumped or hung until the sash broke. Forrestal plunged to his death.

Forrestal was suffering from anxiety and paranoia. Dr. William Meninger, perhaps the nation’s most renowned psychiatrist, had been summoned to Florida to assess Forrestal’s condition in mid-March, just a few days after he had announced his resignation from office. Meninger met with Forrestal and concluded that he was suffering from “reactive depression,” a condition he equated to battle fatigue during World War II. Meninger believed that Forrestal’s dramatic decline stemmed from the strains of his last two years in office.

Contrary to what is often said about James Forrestal, these anxieties were not the product of his obsession with Soviet power and/or communist ideology. Those concerns about the communist threat did loom large and set a backdrop for his suicide. But Forrestal’s depression emanated from his inability to control the raging controversies among the military services over missions, roles, and budgets; his sense

of failure stemmed from his belief that he had designed recipes for military unification and for the defense establishment that were failing. More than any other official in the Truman administration, Forrestal had championed the integration of military and foreign policy; more than anyone else he supported a national security council whose function was to reconcile military, economic, and foreign policy concerns into coherent national strategy. More than anyone else in the American government, he wanted to integrate means and ends, tactics and goals, resources and commitments. More than anyone else, he believed that the Truman administration was failing to achieve these objectives, partly because of his own protection of the organizational interests of the Navy and his insistence on a confederation of the military services rather than real unification under a powerful secretary of defense.

Truman had insisted that Forrestal design a defense budget with a \$14.4 billion ceiling. His military chiefs did not think it could be done; they wanted \$21.3 billion; they were willing to acquiesce to \$16 billion. Forrestal called in Dwight Eisenhower, who had recently assumed the presidency of Columbia University, to mediate the inter-service fighting and forge a consensus solution. Ike failed. Truman blamed Forrestal, whom he did not like for many reasons. To shape a budget in a time of austerity, Truman named Louis Johnson, his chief fundraiser and former assistant secretary of the Army. Forrestal was distraught. He left office, sensing he had flunked the task of making strategy in a time of austerity.

Forrestal's despair stemmed from his knowledge of history and his experience in government. After a very successful career in investment banking, Forrestal joined the Roosevelt administration in June 1940 as a White House aide. After only a couple of months, he was appointed under secretary of the Navy by Frank Knox. Forrestal's focus was on procurement, production, base structure, and other administrative tasks. But he acutely recognized the inadequacy of military-civilian coordination in a time of mounting danger, insufficient capabilities, and scarce financial resources.

In June 1940 Germany's conquest of Western Europe and defeat of France eviscerated the relevance of the evolving Rainbow war plans. The signing of the Tripartite Pact in September 1940 confirmed the specter of a global totalitarian menace. But the United States had no strategic concept, no agreed upon war plan, and no mechanisms for coordinating military and foreign policy. The chiefs of staff of the Army and Navy, George C. Marshall and Harold E. Stark, doubted whether Britain would survive, and they were more than a little skeptical about President Roosevelt's insistence on aid to London. At the same time, they deemed Roosevelt's military deployments in the Pacific, initiation of economic sanctions toward Japan,

and insistence on the open door in China to be risky and provocative. In short, goals seemed vague and unachievable; resources were constrained; means and ends were out of sync.

Austerity imposed discipline and creativity. There were insufficient forces to deal with the Japanese in the Pacific and the Germans in the Atlantic. Admiral Stark in November 1940 crafted a strategic concept that would shape U.S. foreign policy for the next half-century. Stark determined that the principal threat to U.S. security was German power. He feared the prospect that Germany would defeat Britain, assume dominance in the Atlantic, and buy time for the assimilation of the resources, industrial infrastructure, and skilled labor of all of northwestern Europe. No single power, he argued, could be permitted to dominate the continent, control the trade routes of the Atlantic, and penetrate the Western Hemisphere. Simply stated, Stark insisted that Germany was the major threat, the Atlantic had to be the country's priority, and war had to be avoided with Japan while the United States bolstered British and Canadian capabilities and prepared for eventual hostilities on the European continent itself.

The salient point here is not the discussion of the intricacies of war planning, but the boldness and comprehensiveness of the strategic concept itself. Stark surveyed four strategic options, calculated means and ends, assessed priorities, and recommended a course of action he deemed most likely to achieve broad national security goals. His views resonated not because of Stark's influence with Roosevelt but because his ideas comported with the evolving thinking inside and outside government about what the United States required to prosper economically and thrive politically with its basic democratic institutions intact. The planning of the Department of State and the more extensive war and peace studies of the Council on Foreign Relations delineated the same requisites as did Stark for a secure, prosperous, and free America. Walter Lippmann summarized these views in a widely read *Life* magazine article: The American enterprise system could not survive, Lippmann stressed, if the workshops of Europe and Asia were in totalitarian hands. Gigantic government monopolies managed by dictators would crush private competitors, circumscribe free markets, and impel the United States to emulate the statist behavior of its adversaries.

President Roosevelt agreed. If totalitarian enemies controlled the preponderant resources and industrial infrastructure of Europe and Asia, Roosevelt said, the United States would have "to embark upon a course of action which would subject our producers, consumers, and foreign traders, and ultimately the entire nation, to the regimentation of a totalitarian system. For it is naïve to imagine that we could adopt

a totalitarian control of our foreign trade and at the same time escape totalitarian regimentation of our national economy.” With great fervor Roosevelt declared that the United States “could not become a lone island in a world dominated by the philosophy of force. Such an island represents to me—the nightmare of a people lodged in prison, handcuffed, hungry, and fed through the bars day to day by the contemptuous, unpitying masters of other continents.” The free economic and political system of the United States could not flourish, perhaps could not survive, if the tripartite powers, perhaps along with Soviet Russia, dominated Europe and Asia.

What is important here is that in a time of austerity, when means were circumscribed, when goals far exceeded resources, Stark presented a plan, Plan Dog, as it came to be called, that established a strategic framework for thinking about America’s vital interests, that defined the nature of the threat, that encompassed the preservation of values and interests, that assigned priority to the Atlantic, that underscored the need to sustain our British ally while avoiding conflict with our Pacific adversary.

Of course, Plan Dog left many aspects of strategy unresolved. How much equipment should go to allies and how much to rearm our own inadequate forces? How much effort to accommodate Japan, compromise the open door with China, retract sanctions, and avoid conflict? Roosevelt remained wary of defining goals with any precision, Secretary of State Hull remained reluctant to coordinate diplomatic and military policy, neither wished to placate Japan’s ambitions in China, and public opinion remained deeply divided until Dec 7th. But austerity had helped forge a strategic concept, an assessment of threat, an appreciation of the indissoluble links between interests and values, and a calibration of priorities.

After World War II, the basic strategic concept forged in 1940 persisted. In 1945, some of the nation’s most eminent strategic thinkers—Frederick Dunn, Edward Earle, Grayson Kirk, Harold Sprout, David Rowe, and others—collaborated on a Brookings Institution study on the formulation of national security strategy. They concluded that it was essential to prevent any one power or coalition of powers from gaining control of Eurasia. “In all the world,” they emphasized, “only Soviet Russia and the ex-enemy powers are capable of forming nuclei around which an anti-American coalition could form to threaten the security of the United States. The indefinite westward movement of the Soviet Union, they stated, could not be permitted “whether it occurs by formal annexation, political coup, or progressive subversion.”

The Joint Chiefs of Staff (JCS) embraced this strategic thinking, as did most civilian officials. But in the domestic context of post-World War II America, most Americans were focused on demobilization and reconversion. President Truman was eager to balance the budget and stifle inflation, basic requisites, he felt, for sustaining wartime prosperity and U.S. strength. Republicans insisted on these domestic priorities. Military spending plummeted. Gaps immediately emerged between foreign policy goals and military capabilities. The war plans of the Joint Chiefs postulated Soviet capabilities to overrun much of Europe, the Middle East, and northeast Asia. Meanwhile, crises in Iran, Turkey, and Greece focused attention on peripheral areas, as did the civil war in China.

In these circumstances, austerity compelled a careful assessment of threat. And what is noteworthy was the consensus among top officials that the gravest threat did not emanate from the likelihood of Soviet military aggression. The Russians, they assessed, were too weak economically to initiate military aggression. Ferdinand Eberstadt, the former director of the Army-Navy Munitions Board, wrote Forrestal, his close friend and former banking partner: "None but mad men would undertake war against us." But the threat was grave nonetheless because the Soviets might exploit the widespread hunger, social strife, and political ferment that beleaguered most of Europe and Asia. As early as May 16, 1945, Secretary of War Stimson wrote Truman: "There will be pestilence and famine in Central Europe next winter. This is likely to be followed by political revolution and Communist infiltration." The next month Under Secretary of State Grew warned the president that Europe was a breeding ground for "spontaneous class hatred to be channeled by a skillful agitator."

Policymakers debated priorities, yet agreed that foreign assistance was more important than rearmament. Even Forrestal acknowledged in December 1947, "as long as we can out-produce the world, can control the seas, and can strike inland with the atomic bomb, we can assume certain risks otherwise unacceptable in an effort to restore world trade, to restore the balance of power—military power—and to eliminate some of the conditions which breed war." Forrestal went along with Dean Acheson's desire to form a subcommittee of the State-War-Navy Coordinating Committee [SWNCC] to devise a comprehensive assistance program and to determine priorities. Within SWNCC, the urgency of the situation was the chief criterion for determining priorities: Greece, Turkey, Iran, Italy, Korea, France, and Austria topped the list. The JCS crafted its own study and categorically recommended aid to Great Britain, France, and western Germany. It concluded: "The complete resurgence of German industry, particularly coal mining, is essential for the economic recovery

of France—whose security is inseparable from the combined security of the United States, Canada, and Great Britain. The economic revival of Germany is therefore of primary importance from the viewpoint of United States security.”

This thinking comported well with George Kennan’s first Policy Planning Staff studies and with the predilections of many senior foreign service officers working on European affairs in the State Department. Obviously, this thinking set the backdrop for the making of the Marshall Plan. “The only really dangerous thing in my mind,” wrote Kennan, “is the possibility that the technical skills of the Germans might be combined with the physical resources of Russia.”

In brief, austerity forced planners to think hard about priorities and tradeoffs—about economic reconstruction abroad ahead of domestic rearmament. Rebuilding Western Europe and coopting former enemies, especially western Germany and Japan, were judged to be of primary importance. If such initiatives strained relations with Moscow and intensified the emerging Cold War, so be it. Kennan grasped the tradeoffs and knew his priorities. He acknowledged that Soviet decisions to launch the Cominform and orchestrate the coup in Czechoslovakia were “quite logical” developments in the face of U.S. initiatives.

Soviet counter-moves, of course, heightened fears of war. But measuring Soviet intentions and capabilities carefully, Secretary of State Marshall, George Kennan, and most of their colleagues in the State Department—and also in the National Military Establishment [NME]—still wagered that the Soviets would not go to war. Truman did call for Universal Military Training and Selective Service and asked Congress for some prudent increases in defense expenditures, but even during the Berlin crisis of 1948, Kennan estimated that the Soviets would not go to war. General Clay, the commander of U.S. forces in Germany, concurred: They are bluffing, he wrote on June 27, and “their hand can and should be called.”

These strategic choices amidst budgetary austerity for the defense establishment engendered Forrestal’s mounting anxiety. Increasingly, the administration identified priorities, but did not forego peripheral concerns: in Turkey, Greece, Italy, Palestine, and elsewhere. Forrestal’s military chiefs told him that commitments far exceeded capabilities; they did. His military chiefs told him that U.S. moves and Soviet counter-measures were making war more likely; they were. Yet Truman would not budge. He insisted that the new budget not exceed \$14.4 billion. Essentially, he was betting that major war would not erupt; that domestic priorities must not be compromised; that economic reconstruction abroad was more important than rearmament at

home; that coopting and reconstructing former enemies were more important than engaging the new adversary; and that Western Europe, western Germany, and Japan were more important than China.

Within a broad strategic concept, one that had emerged from the World War II experience, austerity forced tough choices. Risk had to be managed. Different men could live with different amounts of risk, dependent on where you sat in the government and what your immediate responsibilities were. Forrestal increasingly abhorred the gap between means and ends, between commitments and capabilities. Truman dismissed him.

One can argue over the quality of strategy-making in the austere years, 1946-49, but what is indisputable is that the years of scarcity ended with the Korean War. Over the next three years, the United States, following the prescriptions of NSC 68, tripled its defense expenditures and more than doubled its forces. Only a tiny percentage of this vast increase actually went to wage war in Korea; most of it was used to prepare for global war with the Soviet Union.

Dwight Eisenhower made it clear both before and after his election that he did not think the build-up could be sustained. He insisted that the foundation of military strength was economic vitality, and the key to economic health was fiscal solvency. In May 1952 he wrote a close friend, "the financial solvency and economic soundness of the United States constitute the first requisite to collective security in the free world. That comes before all else." He believed that defense expenditures had to be reined in and the budget balanced.

Ike quickly ordered a comprehensive reassessment of national security strategy, perhaps the most thorough such reassessment ever undertaken. Task forces were created to argue three different approaches. Eisenhower claimed to be impressed by elements of all three and instructed that they be integrated into a new comprehensive national security policy statement.

Actually, the study produced no substantive change in the strategic concept of containment; in other words, no change in the thinking that the United States must prevent the Soviet Union from gaining control of the preponderant resources of Europe and Asia: Western Europe, West Germany, and Japan remained of greatest consequence. Yet to nurture the revival and cooption of the workshops of Europe and Asia into an American-led orbit, it was also necessary for these workshops to have markets and resources in the turbulent underdeveloped periphery now wracked with revolutionary ferment and nationalist ambitions—in Southeast Asia, the Middle East,

Africa, and Latin America. “The preponderance of the world’s resources,” Ike wrote, “must not pass into the hands of the Soviets.” The governments in those areas, Ike insisted, must “be friendly to our way of life”; they needed to believe in open trade and free enterprise. The United States had to use its superior power, so long as it lasted, to shape a world order amenable to America’s domestic institutions.

The strategic concept had not changed, but Ike insisted that the United States must act with far more fiscal prudence than had the Truman administration in its last years. The so-called “new look” and the doctrines of deterrence and massive retaliation put a premium on air power and atomic weapons. Ike constrained the growth of conventional land forces and talked a lot about ratcheting down the U.S. troop commitment to NATO. He did not believe Kremlin leaders, either the new ones or even Stalin, would risk nuclear war and the destruction of the power of their regime. He believed that the United States through a variety of mechanisms could contain Soviet expansion. But he recognized that such containment was becoming infinitely more complicated by the revolution of rising expectations in the Third World, the modernizing ambitions of revolutionary nationalist leaders in Asia and Africa, and the appeal of state planning and the Soviet model of development.

Eisenhower exercised prudence and self-confidently managed risk. But as Soviet strategic capabilities mounted, as the demands of allies became more insistent, and as revolutionary nationalist ferment spread, his prudence attracted more and more criticism. The budgetary constraints he advocated could not persist when his basic strategic concept was not reexamined in view of the mounting threat from revolutionary nationalism in the Third World. As U.S. interests in the periphery grew, as claims to credibility became more widespread, the gap between means and ends widened.

In 1953-54, Ike’s fiscal prudence was warranted, but his administration failed to adjust strategy over the long-term for the austere budgets that he deemed desirable. Actually, those budgets were never that austere, and U.S. strategic capabilities mounted rapidly. But the gap between means and ends grew even more quickly, ineluctably leading to new expenditures, weapons, doctrines, and interventions during his last years in office and even more so during the 1960s.

During 1938-40, austerity had nurtured an enduring strategic concept; between 1946 and 1949, austerity had bred a nuanced sense of threat perception and a sophisticated calibration of priorities. But in 1953-54, the New Look was designed primarily to manage the widening gap between goals and tactics, a management that was feasible in the hands of the able president, but which could not long endure

partisan politics, organizational pressures, mounting Soviet strategic capabilities, and growing turbulence in the Third World.

During 1953-54, Ike and Dulles pretty much rejected *détente* as a way to bridge the gap between means and ends. Significantly, when Ike ordered the comprehensive review of national security strategy, he did not task anyone to explore the option of relaxing tensions, notwithstanding the halfhearted overtures presented by the new leaders in the Kremlin. Ike, of course, did not rule out negotiations; indeed he showed interest in arms control and did consummate the Austrian State Treaty in 1954. But, for Ike, talking to adversaries was always less important than negotiating and solidifying alliances with existing or potential friends. Those friends, of course, pursuing their own interests, often made it more difficult to overcome the gap between ends and means during austere budgetary years.

What is so interesting about the policies pursued by Richard Nixon and Henry Kissinger during the early 1970s was that they decided to manage the gap between means and ends in an era of austerity by ratcheting down the U.S. commitment to Indochina and by engaging adversaries. Nixon and Kissinger did not change the nation's basic strategic orientation. The Soviet Union remained the key adversary, and the strategy of containment was not abandoned. Aware of mounting Soviet strategic capabilities and the paramount need to avoid nuclear conflict, they labored to leverage the Soviets to exercise self-restraint. They wanted the Kremlin to stop exploiting crises in Asia and Africa, to curtail efforts to divide America's friends, and to encourage Hanoi to negotiate.

If you read the many foreign policy statements of Nixon and Kissinger, they often brilliantly illuminated changes in the global environment. They dwelled on the evolution of multipolarity, the revitalization of our allies in Western Europe and northeast Asia, the intensification of the Sino-Soviet split, and the assertiveness of nationalist leaders in the Third World seeking a new international economic order, especially after the Yom Kippur War and the alarming growth of petroleum prices. They articulated a need to extricate the United States from Vietnam with America's honor and credibility intact. They were beleaguered by partisan acrimony at home, urban strife, racial tension, inflationary pressures, gold outflows, and financial constraints. Although they exquisitely outlined the need for a prudent pursuit of interests in an international order defined by great Soviet strategic capabilities and the omnipresent threat of nuclear war, they were tantalizingly ambiguous in their definition of U.S. interests, except the inchoate need to balance Soviet power and the obvious necessity of avoiding nuclear war.

Their challenge was to design a strategy to balance Soviet power in a demanding political, fiscal, and legislative environment. The Nixon Doctrine; the détente with the Kremlin; the opening of relations with Beijing; and the covert actions in southern Africa, Chile, and elsewhere were all efforts to bolster allies, divide adversaries, and contain Soviet power when U.S. officials were acutely aware that Congress would not allocate funds to regain strategic supremacy or support overt U.S. interventionism in critical regions. Nixon himself stated this succinctly in a memo to Al Haig and Kissinger in May 1972: “all of us who have worked on . . . [SALT] . . . know that the deal we are making is in our best interest, but for a very practical reason that the right-wing will never understand—that we simply can’t get from the Congress the additional funds needed to continue the arms race with the Soviets in either the defensive or offensive missile category.” In an NSC meeting, deflecting Defense Secretary Mel Laird’s insistence that the Soviets were seeking superiority, Nixon bluntly stated: “It’s imperative to get a deal. We can’t build and they know it.”

In an era of austerity, Nixon and Kissinger’s approach to strategy was not to rethink the fundamental elements of containment, not to redefine goals or threats, but to engage adversaries and to devolve more responsibility on allies. Indeed, engaging adversaries often exacerbated relations with allies, a tradeoff, however regrettable, that Nixon and Kissinger found acceptable. Nixon and Kissinger did not close the great gap between resources and commitments, between means and ends should détente falter, as eventually it did. They improvised, rather adroitly, in an era of perceived decline, contracting resources, tumultuous politics at home, and eroding strength and credibility abroad.

After the Cold War ended, policymakers expected austerity. President George H. W. Bush, Secretary of Defense Dick Cheney, and Colin Powell, the chairman of the JCS, knew the American people and the U.S. Congress demanded a peace dividend. They wanted to make necessary defense cuts—more than a million military and civilian personnel—within a coherent post-Cold War strategy. In fact, President Bush was supposed to announce that new strategy right here in Aspen on August 2nd, 1990 when Saddam Hussein triggered the crisis over Kuwait.

The announcement of that strategy was delayed, but work on it resumed after the end of the Persian Gulf War. Bush administration officials said they did not want to repeat the errors that had allegedly occurred after World War I and World War II. In other words, they did not want to cut as much as people expected. Acknowledging the absence of a global threat, they shifted focus and stressed regional “challenges,” hence the name of the strategy itself, “The Regional Defense Strategy.” Defense officials

now stressed that the overriding threat was “uncertainty” or “unpredictability.” In such an environment, they claimed, forces needed to be configured to exert leadership and shape the future. The U.S. defense establishment needed capabilities to preserve strategic deterrence, strengthen and enlarge alliances, establish forward presence, and project power to foster regional stability, especially in the Persian Gulf, Middle East, and northeast Asia. Capabilities also needed to be preserved so that forces could be reconstituted swiftly in order to confront a global competitor should one reemerge.

In designing the defense policy guidance of 1992, two key legacies of Cold War strategic concepts persisted. Planners stipulated that the United States must “preclude any hostile power from dominating a region critical to our interests.” The regions included Europe, East Asia, the Middle East/Persian Gulf, and Latin America. In so doing, planners hoped “to strengthen the barriers against the reemergence of a global threat to the interests of the United States and our allies.” Cheney’s aides also insisted that the United States had to have defense capabilities sufficient to create an international order conducive to America’s way of life. This, too, was a strategic legacy of the battles against totalitarianism in the Second World War and the Cold War. This requirement lurked behind the emphasis on “leadership” and “shaping the future.”

Cheney’s strategic concept and his definition of threat—preparing for uncertainty, shaping the future, thwarting regional instability, nurturing an international environment suitable to democratic capitalism at home—guaranteed gaps between means and ends, given the constraints imposed by legislators’ priorities and public sentiment. Of course, Washington had no peer competitors and over the next few years the United States achieved so-called “full spectrum superiority.” But so long as goals were so ambitious, threats so vague, and interests so ill-defined, U.S. capabilities could never suffice to meet all the regional crises and humanitarian missions that were certain to unfold. By the end of the 1990s, the United States was pretty much outspending all the rest of the world combined, but many defense experts were lambasting the Clinton administration for insufficient attention to defense matters, even though it, too, had embraced Cheney’s regional defense strategy.

What then can be gleaned from this whirlwind retrospective on U.S. strategy-making in times of perceived austerity? In the spirit of Ernest May, we should seek to avoid simplistic extrapolations. Not quite two years ago, Secretary of Defense Panetta warned that “after every major conflict—World War I, World War II, Korea, Vietnam, the fall of the Soviet Union,” the United States hollowed out its forces and invited disaster. President Obama invoked the same theme: “We have to remember

the lessons of history,” he said. “We can’t afford to repeat the mistakes that we have made in the past—after World War II, after Vietnam—when our military was ill-prepared for the future.”

Yet austere postwar defense budgets did not endanger U.S. national security as much as other developments. Actually, after World War I, the United States did not make itself vulnerable to attack. Many historians have now shown that in the 1920s U.S. defense policies were not imprudent given the absence of prevailing threats and the constraints on British, German, and Japanese forces until the mid-1930s. The mistake was not budgetary retrenchment after World War I but the erroneous threat perception of the late 1930s and the flawed diplomacy of neutrality and appeasement. Likewise, the constrained defense budgets of 1946-1949 did not cause the Cold War nor stifle creative responses to looming threats. In the 1950s and 1960s, inadequate U.S. military forces did not catalyze the revolutionary nationalist ferment that endangered U.S. interests, nor would larger forces have allayed the perceived threat. The rancorous domestic climate and austere budget environment that beleaguered Nixon, Ford, and Carter did not cause the upheaval in Iran nor spawn Soviet intervention in Afghanistan; in fact, austerity inspired creative diplomatic adaptation, including *détente* with the U.S.S.R., rapprochement with China, and human rights initiatives that would reshape international relations in the 1980s. And after the Cold War ended, the demands for a peace dividend did not cause the spread of political Islam, the rise of the Taliban, or the proliferation of missile technology and weapons of mass destruction—nor did austerity prevent the Bush-Cheney-Powell team from formulating a new strategy to sustain American military hegemony.

Of course, we know that problems arose during these times of austerity, but they were rarely, or only partly, the result of austerity itself. Too often, officials clung to prevailing strategic concepts without fully reevaluating their utility, reassessing costs and benefits, reexamining threats and opportunities, or rethinking goals and tactics. It would be hard to make the case that the country’s most baleful decisions since World War II—the march to the Yalu, the quagmire in Vietnam, the morass in Iraq—emanated from austere defense budgets.

What, then, are the appropriate lessons to be learned? They are modest, as Ernie May and Dick Neustadt insisted they should be. First, austerity should not breed despair. Austerity, after all, is a relative term. What does it even mean? Austerity compared to what? When the United States is outspending most of its competitors combined, is there really austerity? Austerity seems to mean that defense budgets will decline, or not grow as quickly as in the past. But in the best of times, that should

inspire innovative thinking about threats, goals, and tactics within a coherent strategic concept, keeping in mind that overweening power often tempts over-commitment, just as insufficient power sometimes invites adventurism from adversaries. Designing strategy in a time of austerity should nurture an artful combination of initiatives to reassure allies and engage adversaries; it should also inspire rigorous assessments of the relative costs and prospective efficacy of the many tools of statecraft—economic, diplomatic, and cultural as well as military. Austerity should force officials to design a coherent strategic concept, calibrate threats, define goals and interests precisely, set priorities, embrace creative diplomacy, and take political risks.

In the past, periodic bouts of austerity imposed discipline and improvisation, sometimes sound and sometimes not so sound. But the constraint tended to underscore that domestic economic vitality within an open world order—not military primacy—were the ultimate sources of American national security. If World War II and the Cold War were competitions between alternative ways of life, which they were, cycles of austerity helped officials keep a focus on the main sources of U.S. primacy: the productivity of its economy; the solvency of its government; the health of its financial institutions; the education of its people; the appeal of its consumer culture; and the vitality of its political and economic system. In short, austerity can be a good thing if it imposes discipline, inspires tradeoffs, and nurtures prudence—all qualities that May and Neustadt deemed of fundamental importance.

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“The question is: Can the United States leverage this period of challenge and austerity as a burning platform to foster greater discipline and creativity in the development of our defense strategy and the allocation of resources?”

—MICHÈLE A. FLOURNOY

U.S. Defense Strategy in a Post-9/11, Post-War Era of Austerity

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Since September 11, 2001, U.S. defense strategy has been focused first and foremost on the war in Afghanistan, the war in Iraq, and global counterterrorism operations. The U.S. military has been at war for a dozen years, longer than at any other time in its history. In fact, since the end of the Cold War, the United States has been engaged in combat operations for longer than it has been at peace, an unprecedented situation. Between 2001 and 2010, total defense spending grew from \$421 billion to \$718 billion, an increase of more than 70 percent. The base budget alone increased by 43 percent.¹

With the mission in Afghanistan slated to transition in 2014, the United States now faces what President Obama has rightly called a “strategic inflection point”—a point in our history when the security priorities that have defined the last decade will no longer define those of the next. This inflection point offers a critical opportunity to raise our gaze from the wars that have preoccupied us to consider the security challenges and opportunities on the horizon that will define the future.

At the same time, the United States is experiencing a painful period of unprecedented political paralysis that has fundamentally changed the budgetary environment in which our defense strategy choices must be made. The 2011 Budget Control Act requires the Department of Defense (DoD) to cut \$487 billion over 10 years. In an effort to incentivize lawmakers to reach a comprehensive budget deal, it also created sequestration, a sword of Damocles-like mechanism that mandates across-the-board cuts to federal discretionary spending. In this context, the Pentagon is now facing a sustained period of budgetary austerity, with sequestration level cuts remaining in place for several years.² Thus, as we rethink U.S. defense strategy in light of the changing strategic environment, we must do so with severely constrained resources, making the always hard choices about where to set priorities and where to manage risk that much more difficult. The question is: Can the United States leverage this period of challenge and austerity as a burning platform to foster greater discipline and creativity in the development of our defense strategy and the allocation of resources?

The Changing Security Environment

In contrast to the end of the Cold War when the United States cut defense spending in the absence of a peer competitor, today's reduction in defense spending is occurring when new powers are on the rise, the security environment is highly volatile, and the proliferation of new technologies is changing the nature of warfare. While historians note that we are living in an unprecedented era of peace (or at least absence of outright conflict) between the great powers, there is no shortage of challenges to U.S. national security on the horizon.

The rise of new regional powers in Asia, most notably China and India, is fundamentally changing the balance of power and dynamics in this critical region. With its rapid, eye-watering economic growth, China has become an increasingly important economic partner for the United States even as it has replaced us as the dominant economic trading partner for other countries in the region. At the same time, China is investing heavily in its military capabilities to project power and deny others access within the second island chain. Coupled with Beijing's more assertive behavior with regard to disputed territories in the South and East China Seas and its aggressive cyber operations to exfiltrate billions of dollars of intellectual property from the West, this has raised serious questions regarding whether China's rise will, in fact, be peaceful. Indeed, China's behavior in areas ranging from maritime rules of the road to cyber and space appears to be aimed at changing the post-World War II international order in ways that may ultimately threaten peace and security.

In addition, Iran's pursuit of a nuclear weapons capability and North Korea's expansion of its nuclear weapons enterprise underscore the continued danger of nuclear proliferation in both the Middle East and Asia. A nuclear-armed Iran would pose a direct threat to Israel and the Gulf states and would likely embolden Tehran's support for terrorism in the region. This could also set off a cascade of regional proliferation if others, like Saudi Arabia or Egypt, felt compelled to acquire their own nuclear arsenals to deter Iran. North Korea's pursuit of more sophisticated nuclear warheads coupled with its development of longer-range missiles poses a direct threat to both South Korea and the United States. Whether and how recent leadership changes in both countries will affect each country's trajectory remains uncertain.

Although there has been undeniable progress in disrupting and degrading Al Qaeda senior leadership in Afghanistan and Pakistan, its global network continues to pose serious threats to the United States as it morphs into a capable set of regional affiliates in places like Yemen, Mali, and Syria. Particularly worrisome is the rise of

groups like Al Nusra as increasingly dominant players in the chaos of the Syrian civil war, raising the very real prospect of an Al Qaeda-affiliated safe haven in the heart of the Middle East.

Recent developments have only underscored the uncertainty and instability associated with the Arab revolutions. The deepening Syrian civil war threatens to ignite a broader Sunni-Shia conflict across the region, the course of Egypt's revolution is unclear after the military-backed revolt against the Morsi government, and instability could spread across borders to destabilize key states like Lebanon, Jordan, and Iraq. In short, the entire Middle East is in a period of strategic flux unlike any since the Iranian revolution in 1979. The basic compact—autocrats and monarchs holding power in exchange for stability—has broken down almost completely with little in the way of democratic practices or institutions to take their place, raising serious concerns about the long-term stability of the region as a whole.

More broadly, the global commons—the air, sea, space, and cyberspace connective tissue of the global economy—are becoming increasingly congested and contested, posing new challenges for U.S. freedom of action and access to critical regions. At the same time, the development and diffusion of new technologies, from information technology to robotics to advanced manufacturing, will empower both state and nonstate actors and likely transform not only how we live but also how we fight future wars. Depending on how the U.S. responds, these trends will either strengthen or erode U.S. military superiority in the future.

And the list goes on. In short, the coming decade will be a period of profound change, uncertainty, and even greater consequence for the United States. What's more, virtually all of these trends are likely to intensify over time. Therefore, it is imperative that the United States protect its investment in research and development as well as the new capabilities and operational concepts that will enable the U.S. military to adapt and maintain its edge in the future. This is not an area where we can accept significant risk.

Toward a new American strategy

Any defense strategy must be nested in a broader grand strategy that articulates a set of assumptions about the U.S. role in the world and how best to safeguard the security, prosperity, and well-being of the United States and the American people. At this time of challenge and change, the United States is in dire need of a new strategic

narrative that clarifies how we should use our power and influence internationally to protect and advance American interests and values.

Looking to the next decade, American strategy should be based on a handful of fundamental premises:

First, the United States remains a global power with global interests. Our national security and economic prosperity require a strategy of international engagement. A strategy based on isolationism or retrenchment is not a viable option given the reality that what happens abroad deeply affects our safety and quality of life here at home.

Second, the United States still has a unique and indispensable leadership role to play in the world. No other country has the standing, power, and influence to shape the international environment and catalyze collective action in response to shared challenges. That said, given the rise of a more multipolar international order and the diffusion of power to other rising powers as well as a panoply of nonstate actors (from multinational corporations to international organizations to transnational terrorists), the United States has far less influence and leverage than it has become accustomed to wielding in the post-World War II era. This fact should not be used as an excuse to withdraw from the world; rather, it should drive the United States to be even more strategic and skilled in wielding what leverage it still has.

Third, strengthening and adapting our traditional alliances and deepening our partnerships with key countries around the world should become an even more central focus of U.S. strategy going forward. This network of relationships is one of the United States' most unique and powerful assets. It is difficult to think of a pressing international problem that does not require a collective response from a coalition of like-minded nations to be effective. Actively investing in relationships with regional allies and partners, and working with them to build their capacity to protect their own interests and contribute to regional and global security, should be a central pillar of American strategy in the 21st century.

Fourth, U.S. policy is most effective when the tools of our national power are used in a fully integrated way—for example, when diplomacy and development reinforce one another or when the U.S. military posture in a region makes our diplomacy more effective. In an era of constrained resources, achieving such synergy and integration is more important but also more difficult. While progress has been made in recent years in better integrating interagency policy development and planning, U.S. investment in defense, diplomacy, and development is woefully imbalanced. The Pentagon was put on steroids over the past decade while the State Department and USAID remained

on life support. In addition, the experience in both Afghanistan and Iraq over the last decade suggests that the ways in which the United States undertakes economic development and capacity building in conflict and post-conflict environments needs fundamental rethinking (but this is beyond the scope of this paper).

Finally, any new strategy must be sustainable in terms of both the resources and public support required. In the wake of two long wars and in a period of budgetary austerity, the American people are unlikely to be willing to write a blank check for large-scale military interventions (particularly those involving significant boots on the ground) absent a clear threat to U.S. vital interests. This is not to say that the United States can or should rule out any large-scale use of force in the next 10 years. But it means that the American people will be wary of supporting any strategy that does not appear to be firmly rooted in U.S. interests, cost-effective, and ultimately sustainable.

Key elements of U.S. defense strategy

Supporting a strategy of sustainable U.S. leadership and engagement in an era of budgetary austerity will require some fundamental shifts in the priorities that have defined U.S. defense strategy for the past decade. While the Obama administration's 2012 Strategic Guidance points in the right direction, for example, placing relatively more emphasis on the Asia-Pacific and relatively less on large-scale counterinsurgency operations in the Middle East and South Asia, this paper offers additions and refinements in three areas: the missions on which the U.S. military should focus, U.S. force structure and posture, and the implications for what should be cut versus protected in future defense budgets.

Priority Missions

Although our poor track record suggests that we should be deeply humble in predicting future U.S. military wars, it is safe to say that the challenges that now loom largest look different than those that have preoccupied us since 9/11.

The scenarios that U.S. military planners must be prepared for in the next 10 years do not resemble the wars recently fought in Afghanistan and Iraq. Rather, military planners are far more likely to be asked to develop options for the president across a very broad and diverse range of contingencies. These include but are not limited to: protecting the U.S. homeland in the face of a terrorist attack involving a "loose

WMD”; preemptive military action to prevent Iran from acquiring a nuclear weapons capability; operations to support international efforts to secure or remove Syria’s chemical weapons arsenal; offensive cyber operations in response to a significant cyberattack against the United States; naval and air operations to deter or deescalate conflict over disputed territories in the South or East China Seas; military operations to deter and defeat efforts to close major sea lines of communication, such as the Strait of Hormuz; special operations to support partners in conducting counterterrorism operations; rapid response to crises ranging from humanitarian disasters to embassy evacuations and hostage rescues; as well as perennials like intervention to help defend a treaty ally like South Korea against aggression or deterring North Korea or another nuclear-armed state from using its nuclear weapons. While we cannot and should not assume that the United States will never again conduct large-scale counterinsurgency operations—a mistake we made after the searing experience of the Vietnam War—they should no longer dominate U.S. military preparation, training, and readiness.

That said, the core mission of the U.S. military will remain unchanged: deterring and, if necessary, defeating aggression that threatens the United States, our vital interests, and allies. As a global power with global interests, it is imperative that the U.S. armed forces have the capacity and capabilities to deter, prevent, and respond to threats in more than one geographic area at a time. This long-standing pillar of American defense strategy should remain in place. However, in a rapidly changing security environment, we need to look beyond the canonical “two major regional contingencies” to reconsider what this pillar now means and requires. Indeed, now is the time for U.S. defense planners to fundamentally rethink the scenarios, operational concepts, and capabilities that will define future warfare to ensure the United States makes prudent changes in both how we use and how we invest in the U.S. military.

How we use the military day to day

In the coming decade, the United States should place a premium on preventing conflict in areas that touch our vital interests. The U.S. military should be used more proactively in peacetime to shape key regional environments and influence the security calculus of friends, potential foes, and “frenemies” alike. Both Asia-Pacific and the greater Middle East should be given high priority. This will require a combination of presence, exercises, visits, and exchanges carefully tailored to our strategic objectives in each region.

In addition to more proactive engagement by U.S. forces, the United States should put even greater emphasis on building the capacity of key partners and allies to defend and control their territory and to contribute to regional security. Whether it is helping ASEAN partners develop more robust maritime domain awareness and defenses or assisting partners in North Africa and the Arabian Peninsula with more effectively countering violent extremist groups on their soil or encouraging NATO allies to pool their resources to invest in critical future capabilities, the United States is well positioned to make relatively small investments in the security of partners that can have disproportionately significant impacts. Such light-footprint approaches that emphasize working with and through others have been proven effective in places from the Philippines to Columbia and offer an effective and sustainable model for the future.

Such capacity-building efforts are particularly critical in a more sustainable approach to combating Al Qaeda and its affiliates around the globe, as described in President Obama's recent speech at National Defense University. Of course, the United States must remain prepared to take unilateral action, including kinetic strikes, to disrupt or prevent imminent threats to the country. But putting our long-term counterterrorism strategy on more sustainable footing will necessarily involve shifting more of our efforts toward working with and through key partners to build their capacity to effectively address these threats at the local level.

As noted above, elements of the U.S. armed forces must also remain prepared to respond rapidly and effectively to crises around the globe. This will require highly ready forces with the agility and mobility to respond quickly to unforeseen or rapidly unfolding events, from conducting humanitarian assistance and disaster relief in the wake of natural and manmade disasters (à la the Haiti earthquake, Fukushima, or Hurricane Katrina) to noncombatant evacuations and hostage rescues to efforts to prevent the proliferation of WMD or other illicit materials to supporting international peacekeeping operations and efforts to prevent genocide to thwarting aggression against U.S. interests or allies. One of the most worrisome aspects of sequestration is the prospect that across-the-board cuts to readiness funding could over time erode the ability of some U.S. forces to respond rapidly and effectively in crisis, elevating the risk of unnecessary loss of life.

Reshaping the U.S. military for the future

Ensuring that the U.S. military will remain the best in the world, able to succeed across the broad range of missions and contingencies described above is not a given. Indeed, it will be no small challenge, particularly in an era of austerity. This will require some tough decisions about where to prioritize and where to manage a degree of risk. More specifically, the following principles should guide how we invest in the U.S. military of the future:

The United States should trade some reductions in force structure for the ability to sustain key investments in readiness and modernization. However, rather than salami slice the force with even cuts across the services, the Pentagon should proceed with plans to reverse the growth in the Army and Marine Corps (that was driven by the need to sustain a larger rotation base for two long wars), returning U.S. ground forces to their pre-9/11 levels and perhaps even lower. The United States surged ground force end strength between 2006 and 2008 very effectively and our reserve and National Guard forces proved able to function as an “operational reserve” over a decade of war. This suggests that the United States can afford to take some risk in the quantity of our active duty force structure (particularly in the Army) to free up resources for investment in capabilities critical to power projection, assure access in denied environments, and maintain our technological edge for the future. In addition, the president’s new guidance on nuclear forces suggests that the United States could meet the requirements of a safe, secure, and effective nuclear deterrent at lower force levels. This opens an opportunity to reduce the size of our strategic nuclear forces below New START levels.

DoD should restore a healthy level of investment in readiness, particularly the readiness of our global and regional response forces. This will require seeking relief from sequestration’s rigid across-the-board cuts to operations and maintenance accounts. In today’s resource-constrained environment, however, DoD should rethink the readiness model and capability mix of the National Guard and reserves. The use of these forces as “operational reserves” during the wars required maintaining them at higher levels of readiness than in the past, and this is probably unnecessary and unaffordable in the future. While there is no one-size-fits-all solution, the Pentagon should reexamine the capacity and readiness model for each of the Guard and reserve components with an eye toward shifting away from a large additional force in-readiness to a somewhat smaller force that if needed could ramp up over six to 12 months for long-duration missions.

In a time of austerity, we must take great pains to protect our investment in the future force, especially funding for science and technology, research and development, and procurement of new capabilities in priority areas. These include intelligence, surveillance, and reconnaissance (ISR); Special Operations Forces (SOF); long-range precision strike; autonomous systems; and cybersecurity, among others. Particular priority should be given to those capabilities that enable the U.S. military to operate effectively in an anti-access/area-denial (A2AD) environment, such as electronic warfare, cyber, undersea, and autonomous systems. Under pressure to meet near-term needs, the services may be tempted to scrap some of their more experimental or innovative systems. But the secretary should insist on continued investment in the cutting-edge programs that will drive U.S. military superiority in the future.

Finally, we must avoid repeating the mistakes of past defense drawdowns, which resulted in a hollow force. Rather than balancing the budget on the back of the force, we should first seek to squeeze costs out of the defense enterprise. In 2011, DoD spent \$211 billion on overhead, more than the GDP of Israel. Military health care and other compensation costs are increasing at an unsustainable rate. The military services remain saddled with an estimated 20 percent of facilities and bases they no longer need. And the defense acquisition system consistently delivers too little, too late, at too great a cost to the American taxpayer; what's more, it is utterly incapable of rapidly integrating new technologies and applications emerging in the commercial sector.

In this context, the secretary of defense should use current budget pressures as a “burning platform” to engage Congress in transforming how the department does business. He and the president should invest significant political capital in developing a detailed reform agenda and in building new political coalitions to reduce excess overhead, cut unsustainable health care and compensation costs, shed unneeded infrastructure, and fundamentally reform the acquisition process. While some will be tempted to dismiss this reform agenda as too hard to realize, failure to squeeze more resources out of the defense enterprise would force the United States to confront an even more unpalatable set of choices, from making deeper cuts to readiness and crisis response capabilities to slashing investment funds and undermining the future technological superiority of the U.S. armed forces. Sustaining U.S. global leadership in an era of austerity requires both a new, forward-looking defense strategy and a much more aggressive approach to managing the defense enterprise.

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¹ FY 2014 Green Book. Numbers are FY 2012 constant dollars.

² Perhaps the greatest challenge to DoD is the inflexibility of the sequestration cuts, which are constraining the Pentagon leadership's ability to make smart management choices about where and how to reduce spending. It is imperative that Congress vote to give DoD some relief from the rigid and across-the-board nature of the sequester cuts. But absent a larger budget deal, the level of reductions is unlikely to change because the DoD budget comprises 20 percent of the federal budget and a whopping 50 percent of discretionary spending.

“Though the U.S. has successfully deterred some conflicts, including World War III, through most of its history the United States government did not foresee or prepare well ahead of time for any of the wars it actually ended up fighting.”

—PHILIP ZELIKOW

Defense Entropy and Future Readiness, Fast and Slow

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My essay offers a set of paradoxical assertions. *Despite* constant headlines about troubles in the world, the country is remarkably safe and secure at the moment. *But* American levels of defense spending are nonetheless at near-historic highs, even accounting for projected cuts. *Yet* these expenditures are poorly allocated, and this inefficiency is likely to get much worse. *So* that high spending in a period of low threat is buying less and less meaningful defense for situations, not so far in the future, that could be more threatening than they are right now.

A Time Of National Security

In late 2013, Americans live in a time of exceptionally good national security. Indeed, as a term, “national security” has outlived the circumstances that created it. The term first moved into the public vocabulary between 1938 and 1941. President Franklin Roosevelt started using it on subjects ranging from defense appropriations to Social Security. He was offering a more encompassing notion of how Americans needed to be kept safe. Intellectuals like Princeton’s Edward Mead Earle or Harvard’s Pendleton Herring promoted the concept in 1940 and 1941. Worried about novel kinds of threats, they urged readers to look beyond traditional views of military preparedness and see the necessity for a more total mobilization of American society.

The U.S. government does not talk much anymore about total mobilization of American society against any enemies, foreign or domestic. The draft ended 40 years ago. Registration for it is at the periphery of civic consciousness. Relatively fewer Americans serve in the armed forces. Deaths in American wars are lower, absolutely

* In my work on this paper, I am especially indebted to Ash Carter, though he did not see the paper before it was completed and is not accountable for anything it says. The paper has also been aided by many good comments from colleagues at the August 2013 meeting of the Aspen Strategy Group, where a draft of this paper was first presented.

and proportionately, than experienced by any prior generation since the 1890s. Even domestic murder rates are momentarily lower than they have been at any time in about 100 years.

Replacing the older sensibility about “national security” as a notion of total mobilization is instead an extensive penetration of professional security institutions, public and private, into many facets of American life. This includes the rise of “homeland security.” American society exhibits an enduring sense of low-level and inchoate fears, mainly about enemies within. The alien invaders of 1950s popular culture have been replaced by zombies or vampires among us.

The United States of America may never attain national security. But it happens at this moment to have about as much of it as America has had at any other time in at least the last 100 years.

Even in a democracy like Israel, set amid the turmoil and war in the Arab Middle East, a very seasoned Israeli security adviser recently concluded that, “From a security point of view, now is the best time Israel has seen, despite the many challenges it faces.”¹ Living in a safer part of the world, Americans can say the same. True, Americans live in a media environment with a threat *du jour*. Its leaders often speak as if nobody knows the troubles they’ve seen. So it takes some conscious exertion to regain an appropriate perspective.

Woebegone discussion of American decline has been nearly constant through most of American history. A case can be made for some short periods of a general optimism and a confident sense of power here and there—perhaps in 1944-1948, 1962-1965, and 1984-1986. But such confidence was not the norm. Put aside how historians think Americans *should* have felt, or how foreigners viewed the situation. Americans at the time were usually wringing their hands.

Now, many historians and present-day writers regard the period from 1945 to 1960 as a period of enormous, practically unprecedented, American power, influence, and growth. But back then, one highly respected Harvard professor spoke for many of his well-informed contemporaries when he chose to begin his widely read book of 1960 with these words: “The United States cannot afford another decline like which has characterized the past decade and a half.” More such deterioration “would find us reduced to Fortress America in a world in which we had become largely irrelevant.”² That was Henry Kissinger, in 1960.

Now, many look back on the 1980s as years of growth in prosperity and power so awesome that the Soviet Union was persuaded that further Cold War competition

was hopeless. But, *at the time*, Paul Kennedy of Yale wrote a bestselling book in 1987 offering another dismal depiction of imperial overstretch and inevitable decline.

America did enjoy a remarkably prolonged period of optimism about American power between late 1989 and the mid-2000s, say, around late 2005. This came with the end of the Cold War, the shaking out of public and private financial problems, a startlingly successful war in 1991, a prolonged period of growth, and a sense that America was on the cutting edge of generational innovation.

Set back but not broken by 9/11, Americans did palpably lose confidence in their government by early 2006—symbolized by frustration in Iraq and the Katrina disaster. Then came the great economic crisis, the “economic 9/11” as Hank Paulson called it at the time. Ever since, declinism is back.

The pull of declinist rhetoric is certainly fed by our pluralistic society. In our political culture, politicians do not gain power by praising the status quo. And journalists do not win readers or prizes by exposing everyday successes. Despite occasional upticks in public confidence, the riptide of declinist sensibility remains strong.

In sum, good news: Despite the riptide of declinist worry, America seems powerful, and it is.

But here’s the bad news: An underlying sense of power and security weakens the ability to redesign the defense system and hinders adaptation to change.

The beginning of the 1990s saw a similar pattern. A period of diplomatic and military success contributed to the inability to adapt during the remainder of the 1990s. It is a paradox. The net value of exercising smart power dissipated by the redoubling of entropy—a collective dumbing of power—across the defense establishment as a whole.

Is it happening again?

Entropy And America’s Fundamental Problem Of Power Conversion

In classical physics, the entropy of a system is the measure of the energy no longer available to do physical work. For instance, thermal energy will naturally tend to dissipate into useless heat.

The natural tendency of the universe is toward complete entropy. Industrious humans mitigate this tendency toward entropy with efforts to “organize” the energy, to conserve and direct it before it is lost to use.

Sigmund Freud added his own sly corollary. “In considering the conversion of psychical energy no less than of physical, we must make use of the concept of an entropy, which opposes the undoing of what has already occurred.”³

Think then of America’s national defense as a kind of giant system, the largest single employer in the world, with energy inputs each year of about two-thirds of a trillion dollars and the work of about 3 million people, plus millions more employed by private contractors.⁴ In theory, as much of this energy as possible would be harnessed to do work that usefully contributes to current strategic requirements of national defense, measured in the creation of relevant, usable military capability.

For periods of national security that can rival today’s, those who are more historically minded can muse about the 1920s. Or, for those oriented to more recent history, it is interesting to reflect on the 1990s.

So what happened to U.S. defense strategy during those relatively secure periods in the 1920s and the 1990s? Deep cuts and retrenchment, of course. Yet let’s dig a little deeper.

In the 1920s, the U.S. reverted to its usual peacetime habit of relying on a reasonably strong Navy and maintaining the embryo of an Army. But the U.S. made some vital judgments about strategy and force posture. Noticing the promise of initial British experiments, the U.S. (and Japan) led the way in pioneering modern aircraft carriers and naval airpower. The U.S. Marine Corps also pioneered the development of amphibious warfare. Amid noisy controversy, the U.S. also began developing an autonomous Air Corps. Ideas, training, technology, and institutional culture gathered around new ways of conducting warfare.

The Army did not advance so much. At the end of the 1920s an especially shrewd Army general, after observing exercises, confided this to his diary: “Fine body of men, the 1st Cavalry Division. Excellent esprit, lots of vim—but operating as if they had been to sleep like Rip Van Winkle and knew nothing of machine guns, aeroplanes, etc. ... Stirring to the senses in peacetime, but murder in war.” He added: “It is terribly difficult for military men to keep their methods adapted to rapidly changing times. Between wars the military business slumps. ... And the troops ... find a large part of their time and energy taken up with caring for buildings, grounds, and other impedimenta.”⁵

The 1990s were worse. After the Cold War settlements and the first Iraq war, the 1990s were marked by complacency and drift. Between 1991 and about 1997, the Iraqi threat seemed well contained. China, Iran, and North Korea were all militarily

weaker than they are today. By 1998, however, the danger of catastrophic terrorist attack had become evident. Ash Carter, John Deutch, and I co-authored a report and *Foreign Affairs* article to spotlight it, a sure sign that the danger was passing into obvious conventional wisdom.

During the 1990s, the U.S. armed forces made no great shift toward new patterns of warfare. The U.S. government regarded itself as having plenty of superior capability from choices and acquisitions started in the 1970s and 1980s. So the job was to cut back scale—not transform the character of its basic capabilities.

One well-informed critic, a former vice-chairman of the Joint Chiefs of Staff, summarized the result: “The armed forces have been reduced in size by 40 percent in the last decade, but are still largely structured as they were during the Cold War.” The result: “We have a topflight force that is running on empty.”⁶

During the 1990s the global conditions that had spawned the U.S. national security state designed in mid-century, between 1940 and 1960, substantially dissolved. As the surrounding conditions changed so dramatically, the established equilibrium for distributing defense resources truly displayed its durability. The 1990s then, were the great test of Eisenhower’s famous 1961 prediction of the coming military-industrial complex.

Interest groups inside and out of the government clustered around every aspect of the system, including the benefit and entitlements. These were nearly immovable. So, when it was clear that less overall resources were available (the period between 1990-1995 was also marked by intense struggles over the size of the federal budget) the path of least resistance was to cut around existing ways of doing business.

The 1990s became the years that “the locust hath eaten.” To one of Washington’s most seasoned observers of defense matters, George Wilson, “the fundamental mistake civilian and military leaders made ... was failing to make and impose hard choices about the deployment, composition, and weapons of U.S. military forces. As I write this in the fall of 1999, those choices still have not been made.”

- Example: *After* the first Iraq war of 1991, the U.S. Army purchased 8,000 more M-1 tanks—only about 2,500 of which could be assigned to active units even then, before the main job turned out to require moving to and fighting insurgents in Afghanistan and Iraq.
- Example: By the end of the 1990s the Air Force was concentrating its efforts on investments in the F-22 air superiority fighter. As of October 2013, the F-22 has still not been deployed in combat.

Wilson noted that then-Defense Secretary William Cohen “has been a consensus mechanic—and a good one. But consensus in national defense means settling for the lowest common political denominator.”⁷

In August 2000, the Aspen Strategy Group, a longstanding group of former officials and national security intellectuals, assembled to discuss “American Military Strategy” and commiserate about these trends. At that point, the U.S. had just been engaged in three very small wars. One, against Serbia in the spring of 1999, had produced relatively satisfactory results accompanied by intense frustration and friction about the relevance and use of available military instruments. A second, against Iraq in December 1998, was regarded as having failed. A third, against Al Qaeda in Afghanistan in 1998-1999, had also failed, a failure that would be revisited after the October 2000 attack in Yemen on the USS Cole.

In that August 2000 discussion, the main papers on defense strategy were presented by Ash Carter, Richard Betts, and John Hillen. Carter wrote: “The ‘point of the spear’ is sharp and hard, but much of the rest of the national security establishment is broken. The organizational and managerial malaise of government constitutes a ‘threat within’ that over time will have consequences as serious as external threats.”

Carter, Betts, and Hillen all also decried the then-prevailing force-planning constructs as trapped in the past. Participants in the following discussions stressed, as I put it in my written summary at the time, that “a great contrast has emerged between the forces we have and the forces we will need. America’s armed forces have not been able to adapt because they have no real strategy to adopt.”⁸

My argument now, in 2013, builds on those same two essential themes surfaced 13 years ago. First, America’s systemic problems of power conversion. Second, the difficulty in articulating a meaningful strategy in times of peace and uncertainty.

My theory of entropy in American defense has six propositions:

1. All stakeholders in the system will tend to claim resources, both in compensation/ benefits and to support whatever they are currently doing.
2. The American system for governance of the defense establishment gives these stakeholders strong capacities to defend these claims against unwanted change.
3. The requirements for American national defense have changed significantly. Such changes should naturally tend to increase the proportion of entropy in the system, as past uses of resources become less relevant and usable in relation to new requirements.

4. To reduce growing entropy, the system would need powerful capacities for central redesign to conserve and redirect available inputs of money and effort.

5. Such powers of central redesign—always limited in the American system⁹—fluctuate. The ups and downs partly correlate to the extent of concerted belief about threats and what must be done to address them.

6. Americans today are not, at the moment, seriously threatened. They have little concerted belief about the character of the threats or about what must be done. Hence, the system's capacity for central redesign, not strong to begin with, has ebbed.

If all these points remain valid, then entropy wins. More or less money will be spent on American defense to less and less relevant and usable effect.¹⁰

To recall a few key elements of the theory:

- Large-scale established resource flows and associated stakeholders. Check: ✓
- Significant changes in external environment and requirements. Check: ✓
- Adequate status quo further weakens capacity for strategic redesign of defenses. Check: ✓

Note that this argument transcends the well-justified current complaints about the Budget Control Act and sequestration. Regardless of the approved topline defense spending target, if entropy wins, the topline will not matter so much.

A start toward guesstimating the scale of entropy is to assess the relationship of resource inputs to relevant, usable defense outputs. To measure resource inputs, let's look at money. Note: all the dollar numbers I will offer now **are in constant FY 2014 dollars**.

With the onset of the Korean War in 1950, U.S. defense spending doubled from its post-1945 levels (measured in budget authority and including money for fighting wars) of about \$200 billion. Since 1950, the spending has fluctuated between about \$400 and \$600 billion.

U.S. defense spending hovered near or below the \$400 billion mark between FYs 1954-1961, 1973-1980, and 1994-2000. U.S. defense spending broke above about \$600 billion only twice in 50 years—in FYs 1952 and 1985—and then in each of the 10 years from FY 2004-2014. The high-water mark in postwar U.S. defense spending was in FY 2008, when it exceeded \$750 billion. That level of spending began to approach World War II levels. Again, all of these and the following numbers are in constant FY 2014 dollars.¹¹

The Department of Defense currently plans for budget authority of about \$622 billion in FY 2014, with a planned drop to about \$570-575 billion by FY 2018, including funds for overseas contingency operations (OCO). If budget plans are revised to conform with current caps mandated in the 2011 Budget Control Act, then all these numbers might drop by about \$50 billion, to FY 2014 authority in the \$570s billion range, eventually dropping to the 520s, including an assumption of about \$35 billion for OCO.

All of these currently planned defense spending levels are large commitments of resources. To put them in historical perspective: They are comparable in real terms to levels of resources committed at the height of the Korean War and the height of the Vietnam War. Even if the Budget Control Act targets are met, the numbers are still relatively high, comparable to the real dollar commitments in periods of large buildups and high tensions like the early 1960s.

To a manager surveying the output from these resources as a whole, it would be reasonable to assess the apparent “conversion” of these resources into relevant military capabilities and overseas presence. Such a manager could reasonably ask whether—in a period of high relative security—the U.S. could obtain the required output of military capability if budgets receded back to, or below, the \$400 billion range.¹²

Another crude gauge of managerial competence in “power conversion” might exclude military and civilian pay or even exclude operations and maintenance. Looking only at resources committed to capital goods—procurement, research, development, testing, evaluation, and construction—in FY 2014, the U.S. plans to commit nearly \$170 billion to such investments. Since 1945, measured in constant dollars, such levels of investment have only occurred in FYs 1951-1953, 1966-1968, 1982-1991, and every year since 2003 (with the historic high point, nearly \$300 billion, again occurring in FY 2008).¹³

In addition to providing benefits of many kinds to millions of retirees and military family members, the Defense Department now funds very large civilian workforces, some of them highly specialized to maintain anachronistic systems like those in some of the 40-year-old aircraft carriers. Because of the long lead times in building these, each carrier is idiosyncratic, a kind of floating time capsule of American technology for its era, with specialized workforces to match. Across the Department, civilian employment between 2001 and 2012 grew at five times the rate of growth in military employment (17 percent vs. 3.4 percent).

Purely in the way it does business, before even getting into analysis of ideal force structure or strategic adaptation, every independent defense think tank finds a significant amount of useless entropy just in the Pentagon's processes and business practices. Before even getting into analysis of ideal force structure or strategic adaptation, it appears that at least about 8-10 percent of the resource inputs are lost for these reasons.¹⁴

By now, the interest groups and institutions are well used to such critics. They man well-settled, comfortable political fortresses with cleared and interlocking fields of fire, potential targets identified, ranges dialed in, and the surrounding terrain under constant observation.

The weight of these institutions is not new. But after more than 50 years of established buildup, they are vastly larger and stronger. Under such circumstances, a seasoned scholar of American defense policy, Richard Betts, was right to ask at the end of the 1990s: Is strategy an illusion?¹⁵

The last period in which U.S. defense spending, *as a whole*, was highly functional, with a relatively low proportion of entropy, was during the 1980s. At that time the U.S. had been building capabilities for a long time against a relatively stable set of requirements. Back then, my old professor, William Kaufmann, performed a kind of measure of American defense entropy. He compared a notional redesign of U.S. forces that would achieve more or superior relevant, usable capability to perform all the major functions then postulated for the armed forces. He then compared the cost of his notional force to the costs of the actual forces then planned. He concluded that an ideally designed force would cost about 20 percent less than the somewhat less capable force then in train.¹⁶

Kaufmann has passed away, and I have not seen reliable work of comparable insight on the defense establishment that entered the post-9/11 wars or of today. But I believe the entropy has to have grown.

The military requirements since the 1980s have changed in very deep ways. Some aspects of the defense system have adapted quite a lot and very well, mainly through the time-honored path of triumphant improvisation. Outstanding examples, immortalized now in established acronyms, are in the realms of SIGINT, UAVs, and MRAPs. The COIN story is interesting too. I will return to it a little later in this paper.

But a large part of the armed forces and civilian defense establishment bolted the post-9/11 requirements atop their established patterns of life. Some of those established structures are no more relevant now than they were in 2000. And some

of the post-9/11 additions (like the numbers of acquired MRAPs) are not likely to be as valuable in the future either. My suspicion is that the proportion of entropy in the American defense system may now be at an all-time high.

To calculate the proportion, one could—as Kaufmann did—design a notional set of forces that could achieve the desired effects in useful military capability. My hypothesis is that a Kaufmann-style analysis today would yield an entropy level that has gone from about 20 percent then to something more like 30-50 percent today, depending on the specifics. But I have not done the analysis to offer more than conjecture.¹⁷

For example, at the moment (late 2013) the U.S. has 10 aircraft carriers in active service in order to yield two aircraft carriers now on station, deploying about 140 aircraft of varying kinds. Each of these 10 aircraft carriers, including escort and support vessels and their workforces at sea or on shore, carry the costs of a decent-sized city.¹⁸ An idealized comparison would examine the desired capabilities: strike, antisubmarine warfare, air defense, air superiority, surveillance—and examine what it might cost, in different configurations, to have comparable, or much more, of these relevant capabilities rapidly available in the Persian Gulf or the East Asian littoral on little notice.

The U.S. Air Force musters, mainly through its Air Combat Command, about another 10 Air and Space Expeditionary Forces (AEF). Of these, also only two are on station at any given time—that is, they are deployable or deployed for immediate action. These two AEFs represent perhaps another 200 combat aircraft, roughly about a tenth of the relevant combat aircraft in the regular and reserve forces (aside from bombers and missiles in the Global Strike Command).

The U.S. Army still has very large inventories of armored fighting vehicles. These include nearly 6,000 Abrams tanks. Of these, only about 2,000, thoroughly rebuilt so as to be practically new, can be assigned to active units, though as far as I know none were or are used by the U.S. Army in Afghanistan. (The Marines used about a dozen in Helmand province.) So far, Congress has forced the Army to keep the principal tank plant (in Ohio) open to produce or rebuild more and more.

Back in 1986, William Kaufmann wrote, “It may be stretching a point to suggest that defense contracts have become the Works Project Administration of the 1980s.”¹⁹ In the 2010s, no one would think this is a stretch.

A knowledgeable critic of the Obama administration’s defense plans, Dov Zakheim, has argued, for instance, that the U.S. may not be able to sustain a meaningful overseas presence either in the Persian Gulf or in East Asia if its defenses have to make do with

resource inputs that are still well above \$500 billion a year.²⁰ I find this hard to believe. But if it is even close to being true, it would be a testament to the victory of entropy.

This theory of entropy turns on the capacity for central redesign of the system to conserve and redirect its energy. Since, in my view, the U.S. is and seems relatively secure and powerful at the moment, the theory is that this capacity will weaken.

One obvious counter then would be to await the emergence of a threat vivid to all—an equivalent to a Korean War or Soviet atomic test—to empower the central designers and their supporters. Or the next best thing, some might argue quietly, would be to pump up threats that are not so palpable to achieve the same effect.

Aside from it being so bad for my country, I do not like this option because I do not think it will work. Both in 1950 and in 2001, the first impulse was to mobilize everything the U.S. already had and try to make those things fit the new challenges. If really scared, as after the Chinese entry into the Korean War, the U.S. would mobilize in every possible direction. This is not how strategic reform happens.

Many of the same “defense reform” issues critics identify now were spotlighted by Ash Carter, Bill Owens, and other discussants at that August 2000 ASG meeting. Yet after 9/11, those issues were not adequately addressed. Instead they were deferred—more urgent business dominated the foreground.

Even in the 1950s, much of the durable remolding of American defenses to considered strategic purposes, for better or worse, had to await the Eisenhower administration. And it was the companion of budget cutting, not budget growth.

Entropy can only be mitigated, not erased. Yet there is hope. Several key ingredients for a possible sustained effort at central redesign are now present.

Intense downward pressure on defense budgets. Barring a catastrophe, this seems likely to persist at least through the remainder of the Obama administration and probably into the term of his successor.

Obvious dissonance between defense posture and the relevant security environment. One reason I offered for the sluggishness of reform during the 1990s era of cuts was because U.S. armed forces built up for the Cold War still seemed relevant and superior. In contrast, no one believes that U.S. armed forces should be called on during the next 10 years to perform missions akin to those that have dominated their work during the last decade. Especially important are attitudes within the services, since they will have to do much of the heavy lifting in order to flesh out new objectives and how to get there from the force posture they have now.

Significant bipartisan consensus on retaining reasonably strong American defense capabilities far from our shores. This is a relatively recent development. Although many people criticize the supposed parochialism of Americans and their ignorance about the outside world, I believe the American public is more globalized in its outlook than past generations and is more willing to accept—in principle—the extension of American defense responsibilities to faraway places.

The prerequisite for a redesign is maximum clarity and consensus in the vision of military capabilities for years to come. The Obama administration's statements so far have stressed a few bastions they want to be sure to protect, such as adequate forces in the Asia-Pacific region, strong special operations capabilities, and a robust effort to develop and field capabilities in emerging areas like cyber. To me, these statements seem perfectly sound, as far as they go.

Beyond marking out a few key features to protect, the administration has not yet offered a vision of American defenses clear enough to rally all of the allies and potential policy engineers it will need. The remainder of this paper rests on the assumption that a lot of it is still a work in progress.

Defending, Fast And Slow

The force posture of the United States is still marked by its decisive formative period between 1940 and 1960. It retains a large capability to wage World War III, almost all of that capability located or stockpiled in the United States. A fraction of that capability is deployed on global frontiers, highly ready and close to the likely flashpoints of conflict. Built into this force structure is a tradeoff between large capabilities held in reserve for major war at relatively low readiness versus small, deployed capabilities.

Though the U.S. has successfully deterred some conflicts, including World War III, through most of its history the United States government did not foresee or prepare well ahead of time for any of the wars it actually ended up fighting. Pick any war and then run the clock back 10 years or perhaps even five years before the U.S. found itself engaged in them, little readiness or consideration will be found.²¹ In a few cases, like Korea or Afghanistan, the U.S. had no plans for the war it actually had to fight even a week before the president gave the order to get going.

There is one exception, a case of preparedness in which the U.S. did plan a long time for a war it did end up fighting. That was the Japanese attack on U.S. bases in the Philippines. Hmm.

Humbled by that historical record, I still venture to offer the following seven framing concepts for an American defense strategy in the 2010s. All of them are debatable.

- Contemporary warfare against other states can come on fast. Once it starts it may be waged with great intensity around the clock, but not for long. In other words, the U.S. should scale and deploy what it may need on the assumption that a decisive phase of such a war will not last more than a week.
- The U.S. does need a high level of preparedness to defend its own communications and information systems and attack enemy communications and information systems.
- The U.S. government may become involved in a war on the Eurasian landmass. But it does not need a ground capability to hold significant territory in Eurasia. At least in the current five-year planning horizon, the U.S. does not appear to need the capability to fight a major ground war against Russia or the capability to invade and occupy large parts of either Iran or China.
- The U.S. does need a high-readiness air-ground capability against unconventional threats, including enemy WMD sites, that can go almost anywhere in the world on short notice. The U.S. needs a capability for prompt and effective attacks against terrorist safe havens in places as remote as central or southwest Asia. This is not a requirement to occupy territory in Eurasia for a lengthy period. But it is a requirement, a demanding one, for an air or sea-mobile ground expeditionary force which, though only modestly sized, can get in and get out without relying on extensive local assistance.
- The U.S. does need an evident, deployed capability to secure free use of the world's oceans.
- Almost all contemporary wars are intrastate or against nonstate enemies. Such conflicts tend to come on slow. The U.S. does need an improved capacity to help friendly countries secure themselves.
- The U.S. does need a highly capable intelligence establishment with great analytical breadth and capability.

One major takeaway from these framing concepts is that the U.S. government should explore how to trade off a smaller and significantly different force structure

against a force structure with a large proportion of its relevant high-end military capabilities, as modern as possible, deployed forward at high readiness. The U.S. government should not assume the ability to rely on M+30 or M+90 lead times for wars initiated at a time, place, or manner of America's choosing. Forces—and equipment—available and allocated for such scenarios should be severely discounted in their value to U.S. defense, unless they are being used as a “base force” preparing to deploy, conserving capabilities and skills, or developing new capabilities.

The U.S. does need to have strong capabilities for slower-developing conflicts, including advisory and counterinsurgency. These can be held in the U.S. or in reserve components. Since the U.S. would not plan to occupy significant territories as a military requirement during the current five-year planning horizon, active forces set aside for the counterinsurgency mission should be relatively small.

Another implication of these framing concepts is that the U.S. has too many bases in North America and not enough in East Asia, areas bordering the Indian Ocean, or even in Europe. Relying on only one or two major air bases and one or two aircraft carriers seems slender. In a crisis, such fragility may tempt adversaries. Japan was tempted in 1941 by being able to focus so much of its strategic planning just on Singapore, Luzon, and Pearl Harbor.

A third implication of these framing concepts is to reinforce the conviction that Army, Navy, Air Force, and Marine Corps units in the U.S.—save those assigned to a home-based combatant command (like Global Strike, Homeland, or Cyber)—should all be part of their services' base forces devoted to organizing, training, and equipping. Everything overseas should prepare to fight jointly. That is the current rhetoric. It must really become practice. The joint force structures and training found in much of the Special Operations Command and Joint Special Operations should no longer be so special. Which means, for example, that the Marines should no longer need their own air force, except for airlift specially configured and trained to operate from their helicopter carriers.

With these broad points in mind, the remainder of the essay delves into three other issues on which the Obama administration has understandably been more reticent: strategy for twilight wars, the future of the ground forces, and the character of the key U.S. partnerships.

Strategy for the twilight wars

These transnational or internal armed conflicts are not necessarily the most important kind of 21st century warfare, but they are certainly the most common. With more than 15 years of experience in such conflicts (the war with Al Qaeda really got underway in 1998), few tasks are more important than to examine and distill relevant insights for all levels of military strategy and operations. Some of this has happened, but not enough. The U.S. is still engaged in Afghanistan, and some of the recent experiences are still very painful for many of those involved.

Also, there is a certain tendency—evident after the Vietnam War—for people in and out of the military to say, “Never again. We will not prepare to do that again because we will not do that again.” When Bob Gates announced, in a prepared address at West Point, that “any future defense secretary who advises the president to again send a big American land army into Asia or into the Middle East or Africa should ‘have his head examined,’ as General MacArthur so delicately put it,” the public seemed to agree.²²

Fair enough: Don’t plan to redo the post-9/11 wars. Don’t plan to occupy Afghanistan; don’t plan to have to occupy Iraq (or Iran). But the U.S. *should* plan for the *pre-9/11*. What do I mean by that?

Before 9/11, the political will to clean out the terrorist safe haven in southern Afghanistan was limited. Still, the major weakness in American defenses in those years was that the usable military capabilities to do this were so ill-configured that it was difficult for the U.S. government even to conceive of such options, much less discuss them.²³

The lessons of the last 15 years have demonstrated the need for three levels of military capability and associated intelligence assets to deal with current and future twilight wars.

1. Experience has shown the value of preparing a capability to attack and disrupt a terrorist safe haven from a distance. The U.S. cannot assume it will have friendly basing close by or that it will have a permissive environment for assault, support, or extraction. These forces may not need to be very large in size, but they would face very demanding operational requirements at a scale well beyond what was involved in operations like the May 2011 one against bin Laden in Abbottabad.

2. The U.S. military needs to be able to manage specially targeted military operations on a smaller scale, whether using UAVs or men carrying guns. For several reasons, the director of the CIA should not remain a principal combatant commander in America's 21st century wars, answering to a de facto secretary of defense who is a White House staffer. At President Obama's direction, the transition to primary DoD responsibility for such operations is slowly getting underway. The military may have to change some of its established practices in order to rival the best features of the current system. Civilian intelligence agencies should, and will, still continue to provide vital intelligence support to military operations.

3. The U.S. government needs to be able to offer significant capabilities for advice and support of friendly governments under siege. It has done so with some success in many countries, notably Colombia, parts of Iraq and Afghanistan, and the Philippines. The U.S. military has revived the old term "foreign internal defense" (FID, of course) to describe such work.²⁴

The American public quite rightly has a very high opinion of the capabilities of some of the special operations forces. As they have reached a new level of operational maturity and institutional growth (about 60,000-70,000 civilians and uniformed personnel), these forces need to be integrated more fully into mainstream military doctrine, planning, and funding for the future.²⁵ These forces may need to become the usual operators for all three of the missions described above, incorporating roles for Army airborne and Marine expeditionary units in certain situations.

The U.S. civilian and military efforts have experimented with ideas about foreign internal defense. There is a wealth of knowledge, hard-learned lessons, and experienced professionals who can help take this to the next stage. Best practices include U.S. forces with a "light footprint" well integrated with and guided by trained civilian professionals.²⁶

The State Department and USAID do not yet have an adequate effort to train and deploy professionals with reliable local knowledge, understanding of local governance, legal policy (helping with courts and jails), and police training. The armed forces need to internalize and build on their own experience with police partnerships *in the field* and local intelligence work. The U.S. government, as a whole, is still struggling with how to organize and manage such efforts in an anachronistic system of Washington bureaus and country teams. While it would be nice to have more money for foreign aid, here again the problem is more one of massive entropy within existing resource levels rather than not having enough money overall.

The future of U.S. ground forces

In that 2011 address to the West Point cadets, Gates was characteristically candid about the uncertain future of the U.S. Army the cadets had just joined. He told them that “the most plausible, high-end scenarios for the U.S. military are primarily naval and air engagements.”

He hastened to add that “by no means am I suggesting that the U.S. Army will—or should—turn into a Victorian nation-building constabulary—designed to chase guerrillas, build schools, or sip tea.” But the Army, he said, sure was unlikely to be in another “head-on clash of large mechanized land armies.” Gates told them to get ready instead for anything, especially missions that involved expertise in foreign lands, asymmetric warfare, and unconventional tactics. He wondered aloud whether the Army could adapt to this.

The U.S. government’s track record for accurately predicting the nature of the U.S. Army’s future wars or interventions is nearly zero. Yet the answer is not to shrug and return to the pre-9/11 answer, back to what Gates derided as a “garrison army.”

The U.S. should be planning the most radical restructuring of the U.S. Army, and probably also of the U.S. Marine Corps, since 1940. If linked to the future concepts for special operations, the spectrum of ground force missions moves across intelligence/cyber, homeland defense and stability operations, foreign internal defense, and small to medium-scale global strike operations of the kind suggested above.

The U.S. government would also need to retain a “base force” to conserve and improve capabilities for brigade-scale mechanized assault and brigade-scale clear and hold/counterinsurgency operations. In both of these cases, even if the U.S. does not plan to be able to dominate significant territories outside of the United States, it may need to clear and hold footholds from which it can extend or support its military reach in a disordered or hostile region.

These geopolitical planning scenarios are very much a political assessment that drives budgets. The U.S. Army and Marine Corps currently have approximately 70 brigade-equivalent units in their active forces and about another 39 more such units in their reserve forces.²⁷ These numbers are driven by scenarios for major theater wars that would each require at least 15-20 such brigade equivalents deployable in a period of months.

Alternative scenarios that might drive active Army brigade combat teams down by nearly half (from about 45 now to numbers in the mid-20s) plainly depend on a

strategic guidance animated by the same views former Secretary Gates expressed so forcefully. That does appear to be the current view of the Obama administration, and this scale of reduction is embodied in the plans of other prominent outside analysts.²⁸

A good illustration of a contrasting and moderate, conservative approach is that of Michael O'Hanlon, who wants to retain ground forces much closer to those the U.S. has now.²⁹ His force posture is driven by scenarios, and an implicit defense strategy, for one major war plus a couple other significant missions. The major war scenarios (major regional contingencies, or MRCs) he uses to illustrate requirements for deployments on a scale of 15-20 brigades are: occupations of a disintegrating North Korea; an invasion of an extremist and aggressive Pakistan; and an invasion of an extremist and aggressive Iran. All of these are in the probable aftermaths of wars that have already begun, possibly including the use of nuclear weapons.

Where my strategy breaks from O'Hanlon's is in the critical judgment about whether the U.S. should build up massive expeditionary forces for MRC scenarios like these. Of the three he posits: In the North Korean and Pakistani cases, South Korean and Indian forces would likely, and should likely, play predominant roles. In the Iranian case, the most difficult of the three, my strategy would rely on leveraging latent disintegrative forces inside Iran itself.

In all three of O'Hanlon's cases there are aspects of these operations that could require use of significant U.S. ground forces, with large-scale global strike capabilities. But these should not be posited as deployments of 15-20 heavy brigades. In fact, my worry is that a force posture unduly reliant on our usual large and slow deployments will *degrade* our ability to build up capabilities that are somewhat smaller, much faster, and less dependent on neighboring ground lines of supply.

This leads to my other concern about conservative approaches like these. Adopting them may make it more difficult for the U.S. Army or the Marine Corps to tackle the radical adaptation in their capabilities that Gates called for, and which I think are needed. For example, it was the important post-Cold War 1993 Bottom-Up Review (BUR) that codified the "two MRC" planning requirement that helped ossify the continuation of Cold War-style capabilities. Since then, "[r]ather than providing a fundamental new baseline of planning scenarios to help bring the Pentagon's strategy and resources into balance, QDR's [Quadrennial Defense Reviews] have added new mission requirements to MRC scenarios that have allowed the Services to justify their existing programs of record."³⁰ That is the pattern of behavior that needs to change.

The character of America's foreign partnerships

One of the ways in which America's world position is so different from that of the British Empire 100 years ago is that the British found that their empire was both a critical source of military power (in India and the white Dominions) and a global chain of terrible vulnerabilities. Britain became more and more enmeshed in continental and Asian security commitments, including its conscious appeasement of the Russian Empire from 1907 on, in part because the British government feared the growing Russian ability to threaten these exposed points.³¹

The United States' position in the world is practically the inverse of this. With everyone else feeling vulnerable, America usually provides the security commitments to reassure *them*.

For U.S. defense strategy, the results are enormous yet murky. Enormous because the U.S. has defense commitments from the Barents Sea to the Mediterranean Sea, from Israel to the United Arab Emirates, from the Persian Gulf to the South China Sea, from the Korean DMZ to the Bering Straits, and on back to the Rio Grande valley and the Caribbean Sea. Potential flashpoints are on the borderlands of Russia, Iran, Pakistan, China, Mexico, and some of the wilderness areas of the rest of the world.

Murky because the "inception scenarios" for conflict in some of these cases are complex and only partly visible even to most insiders. The actual circumstances under which the U.S. has encouraged others to rely on U.S. military support are ill-understood and ambiguous. The U.S. capacity to control its commitments is also very difficult to analyze.

It is useful, on the eve of all the centenaries in 2014, to recall the basic dynamic of July 1914. Three elements stand out:

- At least one extremely unstable ignition point: Serbia. Serbians carried out a serious terrorist attack organized by Serbia's chief of military intelligence.
- A conscious, strategic choice by factions within their divided governments tethering great powers (Russia, France, and even Britain) to a "Balkan inception" scenario for war.³²
- The rigidity of the German military plans that any war had to begin rapidly with preemptive operations against France and through Belgium.

A couple of illustrations may show why this historical reminder is still suggestive.

Iran and Israel each have reasons to initiate military operations, either against the

other or in third countries. Generic assumptions that “Iran is careful” or “Israel is careful” might or might not be true; it depends. The United States has offered secret reassurances to almost all of Iran’s possible victims. Because they are secret, the specific circumstances and requirements are nearly invisible to all but a very few people.

In a significant conflict involving Iran, Israel will worry, Persian Gulf friends will worry, and U.S. naval units will worry about sites or ships that are highly vulnerable to sudden attack. Military plans would properly seek to mitigate such vulnerabilities as soon as possible through preemptive attack.

To take another case, that of China, a relatively modest crisis that might bring U.S. forces into the picture would naturally prompt Chinese forces to ready their area denial capabilities, just in case. The offense-defense cycle involving these systems on the two sides seems tight. The U.S. side is vulnerable to attack on a handful of key bases or carriers; the Chinese may perceive analogous vulnerabilities on their side. If the Chinese were to disrupt U.S. communications or other IT capabilities, they could also present the U.S. with choices about whether to take certain actions before those capabilities are further degraded.³³

Stepping back from the dynamic of military plans, the Chinese and North Korean cases also present examples of the questions one could ask about the future division of responsibilities. For example, I believe the United States should encourage both South Korea and Japan to assume primary responsibility for their national defense against conventional attacks, with the United States retaining bases in both countries as an assurance of involvement if the countries are attacked and a base for necessary U.S. forces. The U.S. should also provide assurances to both countries to continue to persuade them that they do not need their own nuclear weapons.

Any suggestion that Japan should take primary responsibility for its conventional defense is understandably controversial. Such steps are, however, a precondition to Japan’s full political maturity, deepening its sense of responsibility, and thus could actually be the companion to long-overdue Japanese initiatives finally coming to grips with that country’s still-damaged historical relationships in much of East Asia. Despite the occasional pathologies so symptomatic of Japan’s suppressed nationalism, there is presently no foreseeable danger of a return to the Japanese imperial mindset or strategies of 1890-1941 that brought the Japanese nation so close to the edge of utter national destruction.

The U.S. will remain a major power in the Western Pacific. But by trying to fill too disproportionate a share of the security gap, the United States may actually add

elements of instability into the East Asian political-military situation. In the long run there is no substitute for direct easing of tensions among Japan, China, and the Republic of Korea.

Whatever the reader may think of these views on Iran, China, or Japan, the main point is that much of the substance of U.S. defense strategy is derived from the substance of America's foreign partnerships—the very specific character of the commitments and capacities for control. Since so many of these specifics are not well understood, U.S. defense strategy in this time of national security is that much more a matter for conjecture rather than analysis.

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¹ Amos Gilad, "Israeli Security Policy in an Uncertain Middle East," The Washington Institute, Ze'ev Schiff Memorial Lecture, 11 October 2013 (Harry Reis, rapporteur).

² Henry Kissinger, *The Necessity for Choice*, Westport, CT: Greenwood Press, 1960, p. 1.

³ Sigmund Freud, *Collected Papers*, vol 3: *Case Histories*, trans. A. & J. Strachey, London: Hogarth Press, 1925; quoted in *Oxford English Dictionary*, "Entropy," def. 1, accessed 2013.

⁴ About 1.4 million active duty military, about 700,000 civilian employees, and about 1.1 million reservists. These are direct employees, not including the vast workforce of contractors, sometimes estimated in the 3 million range, although I have not seen a reliable number. On the U.S. Department of Defense as the world's largest employer, see "Defense jobs," *The Economist*, September 12, 2011. The next largest employer, about 2.3 million, is the Chinese defense establishment. Then comes Wal-Mart.

⁵ Diary of Major General William Lassiter (chief of artillery for the AEF during World War I), October 30, 1929, quoted in Brian McAllister Linn, *The Echo of Battle: The Army's Way of War*, Cambridge: Harvard University Press, 2007, p. 116.

⁶ Bill Owens with Ed Offley, *Lifting the Fog of War*, New York: Farrar, Straus & Giroux, 2000, p. 4. Owens had been the vice chairman of the JCS in 1994-1995.

⁷ George C. Wilson, *This War Really Matters: Inside the Fight for Defense Dollars*, Washington, DC: CQ Press, 2000, pp. 194-196, 203. Wilson was the long-time defense correspondent of the *Washington Post* and had been a defense journalist since 1961.

⁸ Philip Zelikow, ed., *American Military Strategy: Memos to a President*, An Aspen Policy Book, New York: Norton, 2001, pp. 34 (Carter) and 63 (Zelikow summary). Hillen's paper stressed, more than others, the rising need to develop what he then called "constabulary" forces. The book also included a superb historical review by Ernest May (pp. 3-16) that spotlighted only three presidential administrations that he thought had succeeded in substantially molding regular defense activity to a more or less coherent strategy—those of Theodore Roosevelt, Warren Harding, and Dwight Eisenhower.

⁹ "Always limited in the American system": For instance, the case of American national mobilization during World War II should be the ideal case for reducing entropy because the external threats were so extreme and government powers enormous. Yet even then, the internal struggles to harness and redirect resources against the natural resistances within the system were truly epic. "[N]othing about the process was smooth or flowing. It was rather an arduous, chaotic, contentious grind that exacted a high physical and psychic toll." Maury Klein, *A Call to Arms: Mobilizing America for World War II*, New York: Bloomsbury, 2013, p. 2.

¹⁰ The theory should apply in any case or sector where there is large-scale investment and associated stakeholders, weak central capacity for redesign because of collective self-satisfaction, and significant change in relevant external conditions. The advantage of some market situations is that, sometimes, the market will starve systems that have a high proportion of entropy.

¹¹ This historical budget data, including the calculations in constant dollars, are from the latest "Green Book." Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY 2014*, May 2013, especially Table 6-9.

All numbers are in budget authority, not "total obligated authority" or outlays. All numbers include supplementals and money for fighting wars, known nowadays as budget authority for overseas contingency operations. Where I refer to future years, I include in the spending total the current OMB assumption for needed OCO money (OMB analysts think this will drop from about \$89 billion this year to about \$35 billion a year in future years).

All the numbers do *not* include the Department of Energy and intelligence program budgets that are in the 050 National Defense account, amounts which lately have been in the \$25-27 billion range per year.

¹² I do not engage the issue of "right" sizing defense spending as a percentage of GDP or a percentage of the federal budget. This is just about "bang for a buck" as a gauge of managerial competence in the use of available resources, a dimension of power—real and perceived.

¹³ The Green Book derives these constant dollar figures using a specific deflator for each category of military spending, not just a general inflation discount.

¹⁴ In June 2013, 10 think tanks joined in a bipartisan letter to Congress on a "defense reform consensus" focusing on excess basing in the U.S., excess civilian employment, and an evaluation of military compensation. On military compensation and benefits, a commission, chaired by Al Maldon, has been created to work on this. For a more elaborate suggestion on reforms, which it is hoped could save \$340

to \$590 billion over 10 years, see David Barno, Nora Bensahel, Jacob Stokes, Joel Smith, and Katherine Kidder, *The Seven Deadly Sins of Defense Spending*, Washington, DC: Center for a New American Security, 2013.

¹⁵ In an article for the journal *International Security* (2000). A revised version is now a chapter in Betts' book, *American Force*, New York: Columbia University Press, 2012, pp. 232-271. Betts' argument runs even broader than this, plumbing the strange relationships between high-level foresight or guidance to the actual conduct of operations.

¹⁶ William W. Kaufmann, *A Reasonable Defense*, Washington, DC: Brookings Institution, 1986. The summary budget comparison is Table 5-7 on p. 78; the summary of military performance characteristics of the compared forces is Table 5-8.

¹⁷ For one suggestive outline of the reduced force structure that could be encompassed in a \$400 billion base defense budget, about 70 percent the size of the current base budget even under sequestration, see Frank Hoffman and Michael Noonan, "Defense Reorganization Under Sequestration: A [Fictional] Speech by the Chairman of the Joint Chiefs of Staff on December 1, 2016," Foreign Policy Research Institute, July 2013, www.fpri.org/print/1719.

¹⁸ Current plans are to increase the total from 10 to 12 by 2022. Capital costs for the carrier, its air wing, and its associated vessels *aside*, my guess is that just the annual operating budget for a carrier battle group, including on shore maintenance, is comparable to the annual operating budget of, say, the city of San Diego.

¹⁹ Kaufmann, *A Reasonable Defense*, p. 104.

²⁰ Dov Zakheim, "Sequestered: The Strategic Implications of a Freefalling U.S. Defense Budget," *The American Interest*, July/August 2013.

²¹ No complaints, though, about successful deterrence. And, to be fair, the U.S. and its allies did prepare for major mechanized warfare against Soviet armor and did end up waging such a war. But it was against the (Soviet-provided) armored forces of Iraq. The U.S. transferred a corps from Germany to join the fight.

²² Gates' address to the cadets was on February 25, 2011. The Gates quotation from MacArthur is apparently from accounts, like that of Arthur Schlesinger, of MacArthur's 1961 advice to President Kennedy not to get involved in a land war in Laos, urging Kennedy to draw a line at Japan, Taiwan, and the Philippines. Given MacArthur's own positions on such issues 10 years before his conversation with JFK, both his reported remark and Gates' use of it seem ironic. And, at the time of his speech, Gates had spent much of the last three years urging a trebling of the American ground force effort in Afghanistan. Perhaps for both MacArthur and for Gates, the attitude was: "Stay out. But once we're engaged ..."

²³ See 9/11 Commission, *Report*, New York: Norton, 2004, pp. 349-352.

²⁴ E.g., Joint Staff Publication 3-22, *Foreign Internal Defense*, Washington, DC: Defense Technical Information Center, 2010. My level two is sometimes just called "direct action," contrasted with the kind of "indirect action" epitomized by foreign internal defense. My level one can be considered a larger-scale surgical strike, but I believe the scale of effort and range of components that could be required invites a separate delineation of and planning for this task.

²⁵ See Linda Robinson, *The Future of U.S. Special Operations Forces*, Council Special Report No. 66, Washington, DC: Council on Foreign Relations, April 2013.

²⁶ For an interesting illustration, see Major Fernando Luján, *Light Footprints: The Future of American Military Intervention*, Washington, DC: Center for a New American Security, 2013.

²⁷ Calculating numbers of Army brigade combat teams, Army aviation brigades, Marine regimental combat teams, and Marine artillery regiments.

²⁸ E.g., Hoffman and Noonan, “Defense Reorganization under Sequestration” (with a possible force structure of about 24 active Army brigades); Gary Roughead and Kori Schake, *National Defense in a Time of Change*, Washington, DC: Brookings, 2013 (calling for reducing the active Army from about 490,000 to 290,000 while increasing the reserve component).

²⁹ Michael O’Hanlon, *A Moderate Plan for Additional Defense Budget Cuts*, Washington, DC: Brookings Institution, 2013. This essay is a short preview of a forthcoming book.

³⁰ Mark Gunzinger (who participated in these planning processes), *Shaping America’s Future Military Toward a New Force Planning Construct*, Washington, DC: Center for Strategic and Budgetary Assessments, 2013.

³¹ The belief that Russian power was strong and rapidly growing was common to all the Great Powers between 1910 and 1914. Only with hindsight can we regard these beliefs as ill-judged.

It is sometimes argued today that China’s rise and the fear this arouses in America can be analogized to the rise of Wilhelmine Germany and the fear it aroused in Britain. This is a misleading reading of current historical scholarship. Germany was firmly established as a Great Power during the 1870s. British scares about German naval power largely subsided after 1905. The really new, rising great powers in the years shortly before World War I were the United States—which Britain had gone to great lengths to reconcile during the 1890s and afterward—and the Russian Empire, which seemed to have risen like a phoenix after the disasters of 1905 and which observers thought was becoming a juggernaut lubricated by French loans and investments. An excellent recent summary both of contemporary attitudes and modern historical scholarship on the topic can be found in Christopher Clark, *The Sleepwalkers*, New York: Harper, 2013.

³² Clark’s list of zealots would include not only most of the Serbians but also some particular Russians who happened to hold sway in 1914 (Foreign Minister Sazonov, War Minister Sukhomlinov, and Chairman of the Council of Ministers Krivoshein), French President Poincaré, and the top British general, Henry Wilson. The British foreign secretary, Edward Grey, comes across as more fool than zealot.

³³ For an illustrative criticism focused on the Navy-Air Force AirSea Battle concept, alleging a disconnect between military plans and President Obama’s policies, see Amitai Etzioni, “Who Authorized Preparations for War with China?” *Yale Journal of International Affairs*, June 2013, yalejournal.org/2013/06/12/who-authorized-preparations-for-war-with-china/.

Part **2**

ENVISIONING GEOGRAPHIC PRIORITIES
AND REINFORCED ALLIANCES

CHAPTER 3

Explaining and Sustaining the Pivot (Rebalance) to Asia

Kurt Campbell

Chairman and CEO
The Asia Group

CHAPTER 4

The United States Military and the Middle East

Michael O'Hanlon

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“A critical component of U.S. stature as a stabilizing power in Asia is the underlying credibility of its commitments. Can the U.S. be trusted as a staunch ally when the going gets tough? A premature and unceremonious exit from enduring American interests in the Middle East would only raise Vietnam-like memories across Asia.”

—KURT CAMPBELL

Explaining and Sustaining the Pivot (Rebalance) to Asia

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There is a quiet drama playing out in American foreign policy far from the dark contours of upheaval in the Middle East and South Asia and the hovering drone attacks of the war on terror. With sensibilities deeply informed by 21st century strategic realities, the United States has led a “pivot” or “rebalancing” of American diplomacy toward the subtly demanding tasks of a rising Asia. The United States government is in the early stages of a substantial national project: reorienting significant elements of its foreign policy toward the Asia-Pacific region and encouraging many of its partners outside the region to do the same. The refocus on Asia is premised on the recognition that the lion’s share of the political and economic history of the 21st century will be written in the Asia-Pacific region. To benefit from this shift in the global geopolitical dynamism, the United States is attempting to orchestrate a comprehensive and extensive diplomatic, economic, development, people-to-people, and security initiative toward the Asia-Pacific region. Despite efforts to transparently detail and implement this policy, misunderstandings persist—real or feigned—about the key tenets of the pivot, and more importantly, there are questions about the durability of the U.S. commitment to the policy given potentially pressing developments in other regions of the world (including here at home).

This new American thrust into Asia is not without controversy. Even the labeling of the broader contours of the effort—the “pivot” is preferred by some, “rebalancing” by others, and still others find the whole effort long on rhetoric and short on substance—has sparked debate. Critics contend that it is either unwise or unrealistic to shift focus from the Middle East to Asia, citing ongoing conflicts in Iraq and Afghanistan and mounting threats from Iran. There are also concerns that a greater U.S. focus on Asia will alienate traditional partners in Europe (even while Europeans themselves are dialing up their own activities in Asia). Some are anxious that it would unnecessarily antagonize China. Indeed, while the pivot is primarily a diplomatic gambit, the policy

led to handwringing over the modest military innovations proposed and worry that they might usher in a new Cold War in Asia. And mainly, there have been concerns over sustainability.

To the doubters of U.S. fortitude, it is worth remembering that the United States has long had bipartisan consensus on the importance of the Asia-Pacific region to our foreign policy and national interests. Dating back decades, Democratic and Republican administrations alike, with Congressional support, have built and maintained strong ties that bind the United States with countries across the Pacific by dint of alliances, trade, values, and immigration. Some have claimed that the pivot/rebalance was a “return” to Asia—but in truth we have never left. The refocus on Asia, more accurately, was a clear attempt to step up our game in a region that expects more from the United States.

President Barack Obama took the oath of office in the midst of the biggest doubts about the American role in Asia since the end of the Vietnam War. There have been questions before about American standing or staying power—after the painful retreat from Vietnam, after World War II when the U.S. went almost overnight from a major wartime mobilization to domestic preoccupations, and in the aftermath of a long and costly Cold War. Most recently, this anxiety was animated by questions in Asia about the ability of the U.S. to play a leading regional role in the wake of the global financial crisis of 2007-2009. In every capital, the dreaded “d” word was whispered in relation to future American prospects: decline. The very thought of American strategic disengagement sent shivers across the region—except perhaps in Beijing.

The pivot to Asia was conceptualized then as a multifaceted effort to push back against this perception of American disengagement and to reinforce both the enduring as well as innovative aspects of U.S. strategy. There are essentially six elements to the contemporary American approach to Asia. The first element, the essential bedrock, involves sustaining America’s traditional security partnerships across the region, specifically Japan, Korea, and Australia, as well as Thailand and the Philippines. Second, the U.S. would strive to sustain and further develop a consequential and productive relationship with China based on common interests, mutual respect, and strategic clarity. There will be competition and rivalry for sure, but the region expects the U.S. and China to work together on 21st century challenges. There is a clear recognition that China will pose the most profound policy challenges to the American nation in our history but that future conflicts or collisions are not preordained. For element number three, the U.S. has implemented a comprehensive outreach to a more diverse set of partners than in the past, including India, Singapore, Myanmar,

and New Zealand, as well as Indonesia, Vietnam, and Malaysia. The U.S. has sought to intensify its diplomatic engagements across an entire region, in part, to place U.S. policy toward China into a larger context and to embed its engagement with Beijing into a broader framework.

Fourth, a new and innovative element of U.S. regional policy has been engagement with the Asia-Pacific's maturing multilateral institutions, including the East Asia Summit, ASEAN, and the Pacific Island Forum. These bodies, while still nascent, have the potential to help build and reinforce a system of rules and responsibilities that can address complex transnational challenges and promote broader regional cooperation. Recognizing that the Asia-Pacific region is increasingly the driver of global economic growth, the fifth element of the approach involved elevating the importance of economic statecraft as a central element of U.S. foreign policy. Asia looks to the U.S. to play an open and optimistic role in trans-Pacific commercial discourse, and the U.S. has sought to advance its economic interests through the implementation of the Korea Free Trade Agreement and the ongoing Trans Pacific Partnership negotiations. And the economic dimension of "rebalancing" underway invariably will require more American goods and services flowing to Asia and more Asian investment coming into the U.S. The sixth and final element of the pivot/rebalance concerns the development of a geographically dispersed, politically sustainable force posture in the region. The legacy of the Cold War left the United States defense presence in the region overleveraged in Northeast Asia while there were greater demands for joint training, humanitarian assistance, and disaster relief from countries in Southeast Asia.

Regrettably, the military components of the pivot/rebalance have frequently been overemphasized and characterized as the driver of U.S. policy when in fact this has largely been a diplomatic exercise to date. Marine deployments to Darwin and U.S. littoral ship presence in Singapore are often more tangible and easier to cite as examples of increasing U.S. presence in Asia than participation in scores of bilateral and multilateral meetings or U.S. support for development projects throughout the region. However, U.S. security engagement in Asia would not be possible if it wasn't embedded in a much broader national agenda involving diplomacy, trade, development, values, and multilateral institutions.

The connective thread throughout U.S. engagements in the Asia-Pacific region is a steady support for universal values, including human rights and democracy. Despite challenges elsewhere in the region, there have been important advances on this score in Myanmar/Burma. The government has taken remarkable steps, including the release of political prisoners, implementation of long overdue economic reforms,

the advancement of organizing rights, and assuring greater press freedoms. While more progress is necessary, particularly on ethnic strife and violence, Burma/Myanmar serves as a powerful example of a closed and brutal country taking the necessary transformational steps to benefit its people, and the United States has been an essential partner in this reform effort from the start.

As laid out above—and more importantly in numerous articles and speeches by former Secretary of State Hillary Clinton—this strategy is carefully calibrated and designed for sustaining American leadership in a dynamic Asian political environment. Still, a caricature of America’s “pivot” to Asia persists and it goes something like this: The Middle East and South Asia are the graveyard of U.S. power and prestige and we must cut our losses with these ungrateful nations as quickly as possible and turn our full attention to the 21st century that is playing out on more peaceful and profitable shores in the Asia-Pacific region. This conception of the pivot is posited not only to be in American interests but is also the supposed preference of most Asian nations.

But things are not so cut and dried in Asia, as elsewhere. There are many problems with the premise abstracted above beginning with the notion that Asia is somehow more about commerce than conflict. Indeed, just beneath the booming markets, the region is simmering with tensions, ranging from the deeply provocative actions of North Korea, the growing defense budgets of leading nations in the region, and the vexing maritime disputes that are roiling relations in the South and East China Seas. So even when the U.S. is finally able to devote more resources and attention to Asia—and that day is coming—it will be no picnic for American diplomacy.

Yet the most important fallacy in the caricature has Asian nations hankering for a rapid U.S. withdrawal from the Middle East and a refocusing of American attention on Asian pursuits. This notion is demonstrably wrong and misunderstands several critical trends and realities. For instance, Asian nations have quietly built a substantial stake in the furtherance of peace and stability across the Middle East and South Asia in the past decade. At one time, most Asian nations were primarily concerned by developments playing out in their immediate region. Problems elsewhere were someone else’s problem. One of the more important contributions of the Bush Administration’s Asia policy was to recruit the rising players of the East to play a more active role helping address the challenges to their west. For really the first time, many Asian nations developed an “out of area” perspective and became much more actively engaged in the diplomacy, development challenges, and security matters of the Middle East and South Asia.

The results have been remarkable if less well known. Japan is the largest supporter of elements of civil society in Afghanistan, committing billions of dollars to schools, civil servants, and training. South Korea has used the resources of its newly established aid agency to support development efforts across the Middle East in the wake of the Arab Spring. Several South East Asian states such as Malaysia, Indonesia, and Thailand have provided material assistance in Iraq and Afghanistan. Australia and New Zealand, among others, have sent their special forces to the fight in Afghanistan. Even China has been much more active in the behind-the-scenes diplomacy aimed at constricting Iran's nuclear ambitions, addressing the scourge of piracy on the high seas, and determining Afghanistan's future.

These Asian nations have now invested substantial political capital, financial support, and in some cases military forces over the course of more than a decade. They have a combined interest in ensuring their investments do not go to waste and to avoid a cut-and-run strategy that would undermine all they have worked toward. Many of these early decisions to engage were unpopular on Asian home fronts and would become even more so if they are perceived to have ended badly. Then there is Asia's growing energy reliance on the Persian Gulf nations. There is an uncompromising need on the part of every oil and gas importer in Asia (i.e., all of Northeast Asia) to see stability in the Middle East preserved and strengthened. A hasty American retreat carries with it unacceptable risks in energy security, and consequently economic growth.

Then there is the matter of American power and prestige. A critical component of U.S. stature as a stabilizing power in Asia is the underlying credibility of its commitments. Can the U.S. be trusted as a staunch ally when the going gets tough? A premature and unceremonious exit from enduring American interests in the Middle East would only raise Vietnam-like memories across Asia.

The United States will continue with its pivot—or better—its rebalancing of strategic equities to Asia. But it is in America's profound interests, as well as Asia's, that this process be undertaken responsibly. A paradox then of the pivot: American attempts to grow its power and prestige in Asia will be judged in part by how it honors both enduring American *and Asian* interests in the Middle East.

Still, while the American rebalance is broadly supported across Asia—and perhaps as importantly, across the political spectrum in the United States—the policy faces a number of challenges as it moves forward.

The term “rebalance” is a better moniker for the policy because it suggests a process of continual adjustment and fine-tuning, and this is exactly what the circumstances in modern Asia demand. A successful Asia strategy will require effective and continual innovation—bounded by enduring constants and predictability—but this will be a difficult balancing act to maintain over time. This underscores one of the central challenges of sustaining Asia policy—not money, warships, or trade statistics, but people. After more than a decade of war in the Middle East, the U.S. has trained and promoted an entire generation of soldiers, diplomats, and intelligence specialists on the arcana of ethnic rivalry in Iraq, tribal differences in Afghanistan, post-conflict reconstruction strategies, special forces and drone tactics, and how to build civil-military cells for local empowerment. There has been no comparable effort for developing a sustained Asian cadre of expertise across the U.S. government, and a surprising number of senior government officials make their maiden visits to the region at the peak of their power as cabinet officials and senior-most officials (and also near the end of their careers). It is not reasonable to expect even the most accomplished public servant to be able to navigate the contours of Asia’s complexities without substantial prior experience.

In addition, the Asian pivot will be buffeted by twin simultaneous geographic pressures. On the one hand, it will be difficult to transition more time and attention to Asia as long as pressing foreign policy and security issues continue to manifest themselves across the Middle East. Syria, Egypt, Iran, Afghanistan, Iraq, and the Middle East peace process all require enormous, ongoing attention and resources, taking badly needed focus from Asia. On the other hand, there will be a growing pressure to come home. At the conclusion of every modern American conflict—World War II, Korea, Vietnam, the Cold War, and Gulf War I—there was a demonstrable gravitational pull to come home from the fighting and focus on domestic pursuits. The current winding down from 13 years of war has triggered similar insular dynamics. While the internationalist and strong defense strains in American politics in recent years have been remarkably durable, there are emerging subtle (and not so subtle) signs in Congress that we indeed may be entering a new era where a strong American engagement abroad—even in areas critical to our economic well-being like Asia—is called into question.

The primary concern most often cited about the sustainability of the pivot centers around the decreasing magnitude of the defense budget and the prospects of deep cuts. How can the U.S. reassure allies and dissuade provocation in the face of diminishing defense budgets? In truth, the defense challenges of Asia require more

American flexibility regarding existing spending than dramatic new allocations of resources. For Asian contingencies and to maintain an all-important “presence,” the U.S. will need to shift its focus more toward expeditionary air and naval capabilities while downsizing its ground forces. This process will be challenging but necessary as the nation transitions to very different kinds of missions than those of the past decade. U.S. forces will need to partner even more with countries across the region and seek innovative ways to support modernizing militaries through more educational and professional exchanges, the provision of excess defense articles, and the application of creative financing mechanisms (such as with Indonesia and the Philippines). As the U.S. repositions and disperses its forces more to Southeast Asia and India, creating new Indo-Pacific operating concepts, it must find ways to buttress meager military construction budgets to support this process. Such a comprehensive effort will require substantial and sustained civilian leadership and oversight at the Pentagon, given the strong service and congressional interests in play.

Penultimately, there is the matter of settling on a national strategy with respect to pursuing our national interests in the region going forward. Until the launch of the pivot, with its multidimensional qualities, Asian strategy often divided roughly into two camps: the China-at-the-epicenter cadre and the alliance managers. The first group, strongly represented by the early architects of engagement, tends to see China at the center of all Asian affairs and in ways have emulated and reinforced the tributary qualities that centuries of Chinese emperors and statesmen have practiced. While Asia wants and expects a serviceable relationship between Washington and Beijing, there are quiet worries of condominium among smaller countries and questions about whether their interests will be protected in quiet great power conversations. The second group, the alliance managers, are perhaps more circumspect about what can be expected in relations with China in the longer run and instead places its focus on maintaining strong alliances, preferring to use these security partnerships to engage on challenges across the region.

The philosophy behind the pivot represents an evolution in American strategic thinking, combining elements of both schools but focusing more also on Southeast Asia, India’s position in the Asia equation, drawing European nations more into the effort, the critical role of nascent institutions, and a deeper recognition of the role of economic rebalancing between the U.S. and Asia. Still, at the core, there are subtle tensions around the necessary conversations with China. It is to be hoped that we will settle on a 21st century approach that highlights shared interests and cooperation in sustaining Asia’s “operating system” of freedom of navigation, open trade, legal

norms, and maintenance of peace and stability rather than engaging in a secretive 19th century conception of spheres of interest and territorial tensions.

Ultimately, America's Asia destiny rests primarily with the president and a handful of his or her advisers. Showing up to meetings, contributing to building Asia's new architecture, being open to innovation, standing by our values, promoting business and trade, giving Asians "face" through personal interactions, maintaining our security presence, avoiding provocative behavior, and taking engagement with China seriously are all essential elements of a successful U.S. strategy going forward. Given the respective issues, getting the right balance will be challenging. It will require several administrations to navigate to a more equitable distribution of time and resources between the Middle East and Asia and to explain and convince the American public that Asia is indeed our destiny and that we have little choice but to engage fully. The very destiny of our nation depends on it.

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“To paraphrase the old Leninist/Bolshevik line: We may not have an interest in future military operations in this troubled and crucial part of the world, but they may have an interest in us.”

—MICHAEL O'HANLON

The United States Military and the Middle East

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SUMMARY

With the so-called rebalancing of its military commitments to the Asia-Pacific, the United States has indicated at least a relative preference to reduce its commitments elsewhere. The recent withdrawal of U.S. forces from Iraq together with the gradual downsizing in Afghanistan give tangible evidence of this shift. However, the Obama administration's 2012 Defense Strategic Guidance was less categorical, underscoring that the broader Middle East would remain a region of comparable importance to the Asia-Pacific, so there appears to be some tension in how the concept of rebalancing is actually applied. Of course, nothing said or done in 2012 will necessarily withstand the sustained blows of the sequestration axe, so the future of U.S. defense strategy is an open question. And the 2013 Strategic Choices and Management Review (SCMR) now suggests that deeper cuts may be considered as a matter of political and budgetary necessity. Among other things, there could be much deeper reductions in the Army that would downsize it a third from 2010 levels. This essay argues several things:

- The Middle East remains important for American security interests. To paraphrase the old Leninist/Bolshevik line: We may not have an interest in future military operations in this troubled and crucial part of the world, but they may have an interest in us. Put another way, we may no longer have an interest in counterinsurgency operations (COIN), but it may not be so easy to avoid them categorically. In fact, COIN, as well as stabilization missions, should remain a core competence of the U.S. military (in keeping with Department of Defense [DoD] Decision Directive 3000.05, which was released only a few years ago—and in my view, we should not be so quick to repudiate and unlearn recent lessons about the possible importance of such operations for American national security).

- While it is useful to debate what grand strategy should drive American defense policy, the intellectual challenge is not necessarily so profound in regard to Middle East interests. They will remain important because of the region's hydrocarbon resources; propensity for conflict, extremism and nuclear proliferation; and key American friends and allies, including Israel, Jordan, and other states. This set of interests does not necessarily imply that we should devote an unlimited share of national resources to the region, but it is difficult to dismiss the American interest in a generally stable Middle East and Persian Gulf.
- Nonetheless, the demise of Saddam Hussein in Iraq, and the gradual ending of the ISAF mission in Afghanistan, offer an opportunity for some additional downsizing of the U.S. Army, with at least a modest increase in emphasis on the Air Force and Navy and, geographically speaking, on the Asia-Pacific region. (Interestingly, however, it may be as much the North Korean threat as any prospective mission in the Middle East that prevents Army cuts from going very far for the time being.) I would advocate an active-duty Army in the range of 450,000 soldiers, in contrast to figures about 25,000 larger than that in the 1990s and 100,000 larger in recent years. The SCMR reportedly considers much deeper cuts that would leave the Army as small as 380,000 should sequestration continue. I believe this level to be unwise.
- The U.S. Army in particular should size its forces based on a "1 + 2" paradigm—capacity for one major regional war and two simultaneous, sustained, smaller missions multinational in character, most likely stabilization or counterinsurgency operations. It is this framework that leads to my view that an Army of some 450,000 active-duty soldiers would make sense for the United States in coming years.
- The reserve component of the U.S. Army (Army National Guard and Army Reserve) is crucial for national security. However, we should be careful about relying a great deal more on the reserves. In the end, these organizations consist of part-time soldiers, and they will not be as ready as the active force for missions that could erupt on short notice—and also for deterrence missions that require the credible capacity for rapid response. The U.S. armed forces in general, and active forces in particular, are already reasonably small by historical and international standards, so shifting a substantially larger fraction of the ground-force mission portfolio to the National Guard and

Reserve may not be wise. Accordingly, it is not clear the National Guard or Reserve should take the lead on COIN and stabilization missions. Such operations are quite complex and difficult. They can also arise on reasonably short notice if an important state experiences internal instability. There is some room for maneuvering, and for reshaping the force, in regard to these missions, but the logic should not be pushed too far.

- The U.S. Air Force can take some of the burden for Middle East presence off the U.S. Navy, leading to net savings for the American taxpayer, by basing more combat power in several Gulf Cooperation Council (GCC) nations that share our concern with the Iran threat in particular. This idea does not depend on the rebalancing notion, but on an innovative approach to reallocating U.S. combat power within the Middle East. It does something that many might find counterintuitive at this juncture—increasing, rather than decreasing, ashore American combat power within the region. (At the moment, I see no need to increase ground combat power there. But the greatly improved U.S. strategic lift over the last 30 years, as well as forward prepositioning of equipment in the Middle East and the Western Pacific region, have been important and should be sustained even in the face of severe budget pressure.)
- These and other defense changes can help reduce the defense budget. However, my estimates (based on these and other proposals discussed in my recent book, *Healing the Wounded Giant*, on which this paper is largely based) suggest plausible 10-year savings of \$200 billion relative to the 2012 defense plan. Indeed, my estimates may prove optimistic if, as is usually the case, the Pentagon has underfunded its current plan. Normally, for a given proposed force posture and weapons modernization agenda, the DoD underestimates actual costs to the tune of 5 to 10 percent. Put differently, many of my proposed cuts in forces, weapons, and other economies may be needed simply to comply with the budget constraints the Pentagon thought it had adapted to in 2012. But even if the \$200 billion in additional reductions prove feasible, that is a far cry from the \$500 billion that the continuation of sequestration would ultimately cause. In my view the sequestration budget cuts would be simply too severe.
- American allies in Europe and Asia will be relevant to the stabilization missions noted above, in the proposed 1 + 2 framework, but will be of

modest and perhaps even declining relevance for most other prospective operations in light of their defense budget trends. Nonetheless, for all their flaws, NATO (and the East Asian bilateral alliances) remain very desirable for American security interests.

This paper assesses certain future U.S. military force requirements for the broader Middle East, looking first at plausible future missions—beyond the likelihood of a sustained presence of some 10,000 GIs in Afghanistan for a number of years. Then, the analysis turns to the U.S. ground forces, since the Army in particular is often viewed as a possible bill-payer for shifting more focus to the Asia-Pacific region (a more maritime environment, on balance). I then outline the proposal for involving the Navy and Air Force in the Persian Gulf. The paper also considers future roles for the allies.

Plausible Military Scenarios

A number of scenarios that could lead to future American military operations abroad, while individually unlikely, cannot be ruled out.¹ One is certainly a possible Korea contingency; however, given this paper's Middle East focus, I will not dwell on it here. Another is a set of airstrikes against Iranian nuclear facilities. I do consider this below, but less for the immediate requirements of such a series of strikes than for the potential longer-term consequences resulting from a prolonged state of semi-cold but semi-hot hostilities against Iran thereafter.

One plausible scenario could involve a new Indo-Pakistani crisis leading to war between the two nuclear-armed states over Kashmir. As my colleagues Bruce Riedel, Stephen Cohen, and Strobe Talbott have shown, it is quite feasible to see how an extremist government in Islamabad (perhaps not Sharif's) could take South Asia to the brink of nuclear war by provoking conflict with India. Were that to happen, and perhaps a nuclear weapon or two ultimately detonated above an airbase or other such military facility by whichever side felt it was losing the initial conventional battle, the world could be faced with the specter of all-out nuclear war in the most densely populated part of the planet.

While hostilities continued, and even if the United States avoided taking sides on the ground, Washington might want to help India protect itself from missile strikes by Pakistan. It is even possible that the United States might, depending on how the conflict began, consider shooting down any missile launched from *either* side at the other, given the huge human and strategic perils associated with nuclear-armed missiles striking the great cities of South Asia.

More to the point for force-planning purposes, it is also imaginable that, if such a war began and international negotiators were trying to figure out how to end it, an international force could be considered to help stabilize the situation for a number of years. India would be adamantly against this idea today, but things could change if war broke out and such a force seemed the only way to reverse the momentum toward all-out nuclear war in South Asia. American forces would quite likely need to play a key role, since other countries do not have the capacity or political confidence to handle the mission on their own.²

Other scenarios in the Gulf/Middle East region can of course be imagined too. A peace implementation force in Syria, with some American troops participating, is entirely plausible at some future date. Given the size of the country, an international presence approaching 100,000 might be appropriate, should a future peace deal facilitate its entry in a manner somewhat analogous to the NATO-led missions in Bosnia and Kosovo of recent decades. Ideally the number would not be that big, but it is difficult for a force planner to dismiss the possibility *a priori*. Of that total, 10,000 to 25,000 troops might be American, meaning perhaps one to three brigades at a time—and thus three to nine active-duty brigades (or twice as many reserve component brigades) over time, given rotational requirements. This idea seems almost unthinkable—or at least unspeakable—in American political discourse today. But history suggests it is eminently feasible. And if ever negotiable, it could be far preferable for American interests to a continuation of the present war.

U.S. forces could someday help undergird an international NATO-led force deployed in the West Bank and Gaza as part of an Israeli-Palestinian peace deal (in part to replace withdrawing Israeli forces). When a Golan Heights peace plan seemed within reach early in the early 1990s, President Clinton was reportedly willing to contemplate deploying an American brigade to help underwrite it; at least as large a U.S. force could be needed for an Israeli-Palestinian peace accord. Again, this seems a distant prospect at present, but things could change, and force planners must allow for that possibility.

Or, consider again the aftermath of a possible U.S. or Israeli airstrike against Iran's nuclear facilities. If Tehran responded with occasional reprisal attacks against shipping in the Strait of Hormuz, the United States and coalition partners might need to organize a sustained capacity for demining, convoy escort, missile defense, and air defense. In addition, should Iran try to threaten the internal stability or territorial integrity of some of the smaller states on the Arabian peninsula, several battalions of American ground forces stationed in some of the GCC states could seem a prudent deterrent. The list goes on.

We should also bear in mind the possibility of even greater surprises than some of the above missions (recall how farfetched a major operation in Afghanistan would have seemed prior to 9/11). On such a list of Middle East surprises could be major instability in Saudi Arabia, worsening conflict in Egypt that posed a threat to Israel, or a major threat arising out of Syria to the Hashemite regime in Jordan.

Ground Force Sizing

What does the above list mean for sizing the U.S. Army in particular? Many, such as Governor Mitt Romney in the 2012 presidential race, see a shift to Asia entailing greater focus on the Navy, and perhaps also the Air Force. Air-Sea Battle doctrine, a popular concept at the Pentagon now, is one additional factor that may presage proposals for possible reallocations of DoD resources. And those who believe that terrorists can be handled largely through drones and special forces also tend to deemphasize the traditional roles of ground forces. As such, any major shift in military planning and budgetary allocation is likely to begin with a downsizing of the Army particularly—since it is the nation’s larger ground force and since the Marine Corps, an expeditionary service as much as a ground force, is so closely associated with the Navy and with Asia already.

Today’s U.S. Army is about half a million soldiers strong in the active force; the Marines are just below 200,000. Both numbers are headed downward, with the Iraq war over and Afghanistan winding down, to current targets of about 490,000 and 182,000. For perspective, in World War II, the U.S. Army had nearly 6 million personnel on active duty (not counting the Army Air Force or other services).³ During the Vietnam War, the Army’s active-duty forces were almost 1.5 million soldiers strong. Under President Ronald Reagan, the Army active-duty troop figure was more like 800,000. In the 1990s, the active Army typically numbered 480,000. The nation then built up its standing Army to about 560,000 over the last decade, while also increasing the size of the Marine Corps from about 170,000 to 200,000 active-duty Marines. The ground forces are now headed back to active-duty strengths that will leave them larger, but only slightly, than their 1990s levels.

Throughout the 1990s, U.S. ground forces were sized and shaped primarily to maintain a two-war capability. The wars were assumed to begin in fairly rapid succession (though not exactly simultaneously), and then overlap, lasting several months to perhaps a year or two. Three separate administrations (George H. W. Bush,

Bill Clinton, and George W. Bush) and five defense secretaries (Richard Cheney, Les Aspin, William Perry, William Cohen, and Donald Rumsfeld) endorsed some variant of the two-war capability. They formalized the logic in the first Bush administration's 1992 "Base Force" concept, the Clinton administration's 1993 "Bottom-Up Review" followed four years later by the first Quadrennial Defense Review (QDR), and then secretary Rumsfeld's own 2001 and 2006 QDRs. These reviews all gave considerable attention to both Iraq and North Korea as plausible adversaries. More generally, though, they postulated that the United States could not predict all future enemies or conflicts, and that there was a strong deterrent logic in being able to handle more than one problem at a time. Otherwise, if engaged in a single war in one place, the United States could be vulnerable to opportunistic adversaries elsewhere.⁴ This approach clearly could not deter all conflicts; for one thing, having military capability does not always translate into a willingness to use that capability. But in places where American resolve is most manifest, the rationale would seem to be reasonably compelling. While Iraqi dictator Saddam Hussein is gone, and Iraq now poses much less of a direct overland invasion threat to its neighbors and the region, much of this deterrent logic remains valid, though it can now be modified.

The Obama administration initially agreed. Its 2010 QDR states that after successfully concluding current wars, "in the mid- to long term, U.S. military forces must plan and prepare to prevail in a broad range of operations that may occur in multiple theaters in overlapping time frames. That includes maintaining the ability to prevail against two capable nation-state aggressors."⁵ But Obama later scaled back the presumed likelihood of two truly simultaneous large land wars, at least somewhat. Indeed, his January 2012 Pentagon guidance states that: "Even when U.S. forces are committed to a large-scale operation in one region, *they will be capable of denying the objectives of—or imposing unacceptable costs on—an opportunistic aggressor in a second region.*"⁶ Accordingly, the Army was not cut severely; the 2012 plan would have brought it down to 490,000 active-duty soldiers, slightly larger than its typical 1990s size. However, the same review also stated that planning for large-scale stabilization missions would no longer drive the size of U.S. ground forces—and the 2013 SCMR seized on that language to argue that deeper cuts in ground forces were possible. There is no new official Army goal, but the Pentagon appears to be considering active-duty uniformed strength ranging from 380,000 to 450,000 (with roughly proportionate reductions in reservists).

Realistic Rebalancing And A “1 + 2” Framework For Sizing The Army

I believe the two-war requirement can be scaled back further for purposes of ground force planning. Indeed, it may be time to go from two to one—with lots of caveats and conditions, of course.

To some extent, this proposal reflects the likelihood that large ground operations in the broader Middle East has declined relative to the situation 15 or 20 years ago, and that the balance of risks to American interests has shifted somewhat toward a mix of scenarios with largely maritime characteristics (though even within Asia itself, the Korea problem helps place a floor on any U.S. Army downsizing for the moment). The Navy, Air Force, and special forces are likely to play a somewhat greater role in the nation’s overall portfolio of military capabilities than before, as are cyber and space capabilities. But how to strike the right balance? How far can Army downsizing, perhaps the signature element in any substantial military rebalancing plan, really go? Somewhat further, to be sure—but perhaps not nearly as far as some would like.

My proposal is this: a new ground force planning paradigm might be termed “one war plus two missions” or “1 + 2.” The idea of two smaller missions is notional. In fact, the United States might wind up involved in three or four such missions at once, based on precedent as well as plausible future missions, though some of these could be quite modest in scale (even if possibly long in duration).

As suggested above, those missions might, for example, include enduring-force efforts in Afghanistan, contribution to a future multilateral stabilization force in Syria (or Yemen or even Congo), or deployments in support of close friends like Israel or the GCC states down the road (even if such missions seem unlikely and undesirable at present). A number of these missions would likely involve elements and skill sets associated with counterinsurgency and stabilization operations, so the DoD Decision Directive 3000.05 that elevates such missions to the comparable importance of traditional combat should in fact be kept in place—and substantial fractions of the general purpose forces should continue at least some level of proficiency in such possible missions.

This 1 + 2 approach strikes the right balance. It is prudent because it provides some additional capability if and when the nation again engages in a major conflict and because it provides a bit of a combat cushion should that war go less well than initially hoped. It is modest and economical, however, because it assumes only one such ground conflict at a time (despite the experience of the last decade) and because it does not envision major ground wars against the world’s major overseas powers on their territories.

If a conflict pitted the United States against China, for example, it is reasonable to assume that the fighting would be in maritime and littoral regions. That is because the most plausible threat that China would pose is to Taiwan, or perhaps to neighboring states over disputed sea and seabed resources. Similarly, in regard to possible war against Iran, the most plausible conflict would focus on its nuclear program and waterways in and about the Persian Gulf. Neither of these scenarios would be likely to involve substantial numbers of American ground forces in intensive combat operations. It is therefore reasonable for the United States to have the capability for just one ground war at a time as long as it can respond in other ways to other possibly simultaneous and overlapping challenges abroad.

Moreover, the 1 + 2 concept provides some remaining capacity for a small initial response in a second conflict. The forces for the two presumed smaller and less lethal missions could if necessary provide the vanguard of a blocking or emergency response force for the very unlikely event of a second major conflict. And while my option would not increase the size of the Army National Guard, Army Reserve, or Marine Corps Reserve, it would not cut them disproportionately either—meaning these forces would remain available not only to support active forces in immediate operations, but to provide a rapid increase in active-duty strength through more general mobilization if necessary.

To compensate for its modest size, this one-war combat capability needs to be responsive and highly effective. That fact has implications in areas like strategic transport and forward prepositioning of combat materiel, which must not be reduced. It also has implications for the National Guard and Reserves, which remain indispensable parts of the total force. They have done well in Iraq and Afghanistan and merit substantial support in the years ahead—better than they have often received in our nation's past.⁷ But they are not able to carry out prompt deployments to crises or conflicts the way that current American security commitments and current deterrence strategy require. As such, we should not move to a "citizens' army" that depends primarily on reservists for the nation's defense. Nor should we adopt the idea of a gendarmerie force to handle any future counterinsurgency or stabilization missions. Many such missions require more combat capability than gendarmes tend to possess; on top of that, we cannot financially afford to create a new and large force with very specialized purposes and only limited utility. That said, it will be important to continue to reflect on how to retain the nation's competencies in COIN and stabilization missions in the years ahead through dedicated command structures, centers of excellence, perhaps small numbers of dedicated and specialized units as

the spearheads of future operations, military advisory teams to work with allies, and a certain amount of training for all general-purpose forces in these kinds of missions despite the prevailing political sentiment against them. Once again, we do not always get to choose our wars or the nature of our overseas military operations.

What does the 1 + 2 framework mean for sizing the Army and Marine Corps? I will leave out the details of my estimate here, but an Army in the range of 450,000 active-duty soldiers and a Marine Corps of 160,000 uniformed personnel would appear to be in the right ballpark, acknowledging that there is room for technical debate and that one can easily suggest total numbers 10 percent higher or lower once a specific force-sizing framework is adopted. Those figures stand in contrast to recent peaks of about 560,000 and 202,000, respectively, or to the 2012 targets of 490,000 and 182,000. This force-sizing math is based on the principle that active forces should have roughly twice as much time at home as on deployment and that reservists should have five times as much time at home as abroad.⁸ So the smaller force could sustain an Iraq-like mission for months or even years while also doing smaller tasks elsewhere.

Perhaps these suggested numbers can be a bit smaller if unneeded bases are closed, other reforms achieved, and certain types of jobs removed from the military to be handled instead by DoD civilians or contractors. But one must be careful in counting big new savings from such measures. For example, a successful round of base closures is already assumed in the administration's budget plans from 2012 (before sequestration), so its savings cannot be double-counted to help reach the target of \$500 billion in additional budget cuts required by sequestration. Moreover, Congress has not yet approved such a round of base closures, nor has it approved curbs on certain forms of military compensation that are also already assumed in budget plans from 2012. Finally, there are times when converting military billets to civilian or contractor jobs makes sense—but this process does not necessarily save an enormous amount of money because jobs are being redefined rather than eliminated.

The capacity outlined above falls short of the numbers of troopers deployed in 2007/2008 just to Iraq and Afghanistan. If long crises or conflicts occurred in the future, we would have to ratchet force strength back up. The Army and Marine Corps of the last 10 years have, fortunately, already proven they can do this. They added 15 percent in new capability within about five years without reducing the excellence of individual units.

Land-Based Aircraft Versus Carriers In The Persian Gulf

There may be ways to save some money in naval capabilities for the Persian Gulf. But this would come less from rebalancing than from a new way of maintaining a presence—sustaining current combat capabilities at somewhat lower cost.

At present the United States relies almost exclusively on aircraft carriers, each carrying about 72 aircraft, to maintain short-range jets in position for possible conflict—with Iran in particular. Over the past decade, however, several squadrons of land-based jets in Saudi Arabia, Kuwait, and Iraq have largely come home.⁹ While the United States occasionally rotates fighter jets through the small states of the GCC and maintains command and control and support assets in states like Qatar and the United Arab Emirates, its permanent ashore combat power is very limited.

As a general rule, whenever the United States predictably needs continuous airpower capability in a given region, military logic advocates providing much of it with land-based Air Force (or Marine Corps) assets rather than with aircraft carriers. The reasoning begins with the fact that even a major, hardened land base costs perhaps one-tenth as much as a \$12 billion aircraft carrier (not to mention accompanying support ships). But the arithmetic is even more heavily weighted against aircraft carriers in such situations, even if they are obviously still crucial for possible conflict in places where the United States cannot predict future needs. That is because it can take five or six ships of a given type in the fleet to maintain one continuous overseas patrol.

Of course, the reason the United States maintains one or two carriers at a time near the Gulf, rather than relying on land-based jets, has important historical, political, and diplomatic roots. Over the years, the region's governments have wanted to limit their visible association with the United States, and Washington has wanted to keep a distance from regimes seen as anti-Israeli, autocratic, or otherwise unpalatable. But in light of Iran's ongoing provocations, and its nuclear programs, this past tendency requires rethinking. This is a good example of where greater allied burden-sharing of a certain type may be realistic, given that regional states themselves see a clear threat from Iran that has grown with time.

It would be a mistake to put all of our eggs in one basket in the Gulf. Given the political sensitivities and uncertainties noted above, it would make the most sense to seek two or even three land bases in different countries in the region, each of which could host around 50 American combat jets like the F-15, F-16, or even the stealthy F-22 fighter (and someday the F-35 joint strike fighter, once it is available in adequate numbers). Investment costs for underground fuel lines, hardened aircraft shelters, and

the like, and preferably also for some missile-defense capabilities at each base, would ideally be paid largely by the GCC governments. Costs might not be so great, though, if a mix of existing and new bases was employed. Moving in this direction could also lead naturally to development of a backup plan for future Fifth Fleet basing, should the presence in Bahrain prove unsustainable or unwise in the future.

Washington must request permission from local governments before deploying locally based aircraft in any preemptive strike (with or without Israeli participation) on Iran's nuclear facilities, and getting such permission could be problematic. For example, Saudi Arabia did not allow the United States to conduct aircraft sorties from its bases during the 2003 invasion of Iraq. Some would cite this fact to argue against land-basing. But in fact, Washington could always surge a carrier or two to the region for a strike that occurred at a time of its choosing. The land-based jets would not need to be the vanguard of this operation. It is also worth bearing in mind that while the Saudis, in particular, were of two minds about the overthrow of Saddam, fearing the prospect of a Shia-majority government that would likely succeed him, they have little ambivalence about the need to remain resolute in dealing with Iran.

This option would take time to implement, so it would not be achievable before 2014 or 2015, when any immediate decisions on striking Iran would probably be made. So it need not dramatically change the course of current coercive diplomacy toward Iran regarding its nuclear program.

With this idea, the U.S. aircraft carrier fleet might eventually be reduced from 11 ships to nine, with an estimated average savings in the defense budget of up to \$7 billion to \$10 billion a year.¹⁰ Indeed, given ship maintenance schedules, in the coming years the Navy is already going to operate a fleet with only nine available carriers, so this option simply would make a virtue out of necessity in the short term.¹¹ At a minimum, it is an idea to discuss intensively with key allied governments in the region.

American Allies

What is the presumed role of U.S. allies in all of the above? And is it possible to encourage them to do more in the future? Some have understandably raised this question at a time when the United States outspends its allies on defense by a wide margin, not only in terms of actual dollars but in terms of the percentage of GDP devoted to the military.

The fact that America has so many allies is extremely important—it signals that most other major powers around the world are at least loosely aligned with America on major strategic matters. They may not choose to be with the United States on every mission, as the Iraq experience proves, but when America is directly threatened, as in 9/11, the western alliance system is rather extraordinary. This is clear in Afghanistan where through thick and thin, and even beyond the 10-year mark of the war, the coalition still includes combat forces from some 48 countries.

How much help do these allies tend to provide? Here the answer is, and will remain, more nuanced. The other 47 nations in Afghanistan, at the mission's peak size in 2011, collectively provided fewer than one-third of all foreign forces; the United States by itself provided more than two-thirds. Some have argued that the United States military is less efficient than that of other states, but I tend to disagree; if the metric is projectable military force divided by defense spending, most American allies cannot hold a candle to the U.S. armed forces. Still, a peak of more than 40,000 non-Afghan forces from countries besides the United States is nothing to trivialize.

The allies took the lead in Libya in 2011. But this may be the exception that proves the rule—the mission that the Europeans led was a very limited air campaign in a nearby country. France also helped depose a brutal dictator in its former colony of the Ivory Coast in 2011 and have conducted substantial operations more recently in northern Mali. These operations have on balance been courageous, and somewhat effective, but limited in scope and size. Some European and Asian allies, as well as other nations, continue to slog away in UN peacekeeping operations in places such as Congo and Lebanon. The Australians tend to be dependable partners, and Canada did a great deal in Afghanistan and took heavy losses before finally pulling out its combat forces in 2011. In Asia, the Japanese are showing greater assertiveness as their concerns about China's rise lead to more muscular naval operations.

Still, the allies are not stepping up their overall defense efforts and they almost surely will not. Any hope that the election of Barack Obama with his more inclusive and multilateral style of leadership would lead them to do so are proving generally unwarranted. NATO defense spending is slipping downward, and from a starting point that was not very impressive. American allies were collectively more capable in the 1990s, when they contributed most of the ground troops that NATO deployed to the Balkans, than today. The fraction of GDP that the NATO allies spend on their armed forces has declined to about 1.7 percent as of 2009, well under half the U.S. figure. That 1.7 percent compares to NATO's average level of 2.2 percent in 2000 and

about 2.5 percent in 1990.¹² Before he left office in 2011, Secretary of Defense Robert Gates accordingly warned of the possibility of a two-tier alliance.¹³ But his warnings have not reversed the trend.

When allies feel directly threatened, as Japan and South Korea sometimes do now, they will contribute. South Korea in particular can be counted on to provide many air and naval forces, and most of the needed ground forces, for any major operation on the peninsula in the future. (South Korea is generally, and understandably, less enthusiastic about being pulled into an anti-China coalition.¹⁴) Taiwan would surely do what it could to help fend off a possible Chinese attack, not leaving the whole job to the American military in the event that terrible scenario someday unfolded (though in terms of preparation, its \$10 billion annual budget pales compared to China's and has dropped to just over 2 percent of GDP).¹⁵ Many if not most NATO forces will be careful in drawing down troops from Afghanistan, making cuts roughly in proportion with those of the United States over the next two years.

In the Persian Gulf, both Saudi Arabia and the United Arab Emirates have impressive air forces, each with at least 100 top-of-the line aircraft, many of them procured from the United States. Both countries certainly could help provide patrols over their own airspace as defensive measures in a future conflict. If they had already been directly attacked by Iran, they might also be willing to carry out counterstrikes against Iranian land or sea targets. But again, there are limits. If Iran had not actually attacked their territories, Saudi Arabia and the UAE might prefer to avoid striking Iran themselves first—since once the hostilities end, they would have to coexist in the same neighborhood. For that and other reasons, it is not completely clear that the United States could count on regional allies to do more than the very important but still limited task of protecting their own airspace. Washington could hope for more, but should not count on it for force-planning purposes.

Britain can probably be counted on for a brigade or two—up to 10,000 troops, perhaps, as in Afghanistan—for most major operations that the United States might consider in the future.¹⁶ Some new NATO allies like Poland and Romania, and some potential aspirants like Georgia, will try to help where they can, largely to solidify ties to America that they consider crucial for their security. The allies also *may* have enough collective capacity, and political will, to share responsibility for humanitarian and peace operations in the future. However, the record of the entire western world, including the United States, frankly is patchy at best. Numerous countries will contribute modestly to limited and low-risk missions like the counterpiracy patrols off the coast of Somalia. If future naval operations are needed to monitor or enforce

future sanctions on Iran, Washington may get a few allies to participate. But that is about as far as most allies seem likely to go.

The United States need not, and should not, accept primary responsibility for future military operations, either peacekeeping or humanitarian in character. But in terms of planning for major war, it will have to assume that its forces—together with those of directly threatened allies—will provide the preponderance of future capability. In specific cases, Washington can always hope for more help. But for planning purposes, it is best not to count on it. This fact is regrettable at one level. But America should be careful to avoid making the perfect the enemy of the good. The United States leads the greatest alliance system in history, and that fundamental reality is a huge strategic asset that Washington should not jeopardize with unrealistic demands on its security partners. Nor should the United States strategically gamble on unilateral retrenchment in the hope that such a pullback will produce desirable reactions.

Conclusion

The rebalancing toward Asia makes sense on many grounds, if construed as a policy with only modest military implications (as is currently the case). But it would be a mistake to view it as a long-term movement away from the Middle East. We might wish that movement were possible, but the blend of threats from terrorism, commitment to friends like Jordan and Israel, enduring oil interests, nuclear nonproliferation concerns, and general volatility that characterizes the broader Persian Gulf/Middle East region will not afford us that luxury. And no other country is looking to relieve America of the military burden of helping stabilize the region. Fortunately, while a demanding burden, it is also likely to prove a manageable one for the United States—provided that sequestration or defense budget cuts of comparable magnitude do not continue indefinitely or intensify even further.

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- ¹ See Andrew F. Krepinevich, *The Quadrennial Defense Review: Rethinking the U.S. Military Posture*, Washington, DC: Center for Strategic and Budgetary Assessments, 2005, pp. 63-65; Michael O'Hanlon, *Defense Strategy for the Post-Saddam Era*, Washington, DC: Brookings Institution, 2005, pp. 95-118; and Michael O'Hanlon, *Dealing with the Collapse of a Nuclear-Armed State: The Cases of North Korea and Pakistan*, Princeton, NJ: Princeton Project on National Security, 2006.
- ² See Sumit Ganguly, *Conflict Unending: India-Pakistan Tensions Since 1947*, New York: Columbia University Press, 2001.
- ³ Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for 2012*, Washington, DC: Department of Defense, 2011, p. 232, comptroller.defense.gov/defbudget/fy2012/FY12_Green_Book.pdf.
- ⁴ For discussions of the force-sizing debates in this period, see, for example, Frederick W. Kagan, *Finding the Target: The Transformation of American Military Policy*, New York: Encounter Books, 2006, pp. 196-197 and 281-286; and Michael E. O'Hanlon, *Defense Policy Choices for the Bush Administration*, second edition, Washington, DC: Brookings Institution, 2002, pp. 9-17 and 63-71.
- ⁵ Robert Gates, *Quadrennial Defense Review Report*, p. vi.
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- ⁹ International Institute for Strategic Studies, *The Military Balance 1999-2000*, Oxford, UK: Oxford University Press, 1999, pp. 28-30; and GlobalSecurity.org, "Operation Southern Watch," Washington, DC: May 2011, www.globalsecurity.org/military/ops/southern_watch.htm.
- ¹⁰ Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, Washington, DC: 2011, p. 90; and Michael E. O'Hanlon, *The Science of War*, Princeton, NJ: Princeton University Press, 2009, p. 26. On the potential for rivalries and conflicts within East Asia, see, for example, Robert D. Kaplan, *Monsoon*, New York: Random House, 2010; Richard C. Bush, *The Perils of Proximity*, Washington, DC: Brookings Institution, 2010; and Andrew S. Erickson, Walter C. Ladwig III, and Justin D. Mikolay, "Diego Garcia and the United States' Emerging Indian Ocean Strategy," *Asian Security*, vol. 6, no. 3 (September-December 2010), pp. 214-237.
- ¹¹ Sam Lagrone, "USN to Go Down to Nine Carrier Strike Groups by Year's End," *Jane's Defence Weekly*, August 17, 2011, p. 9.

¹² International Institute for Strategic Studies, *The Military Balance 2011*, Oxfordshire, UK: Routledge, 2011, p. 472; International Institute for Strategic Studies, *The Military Balance 2001–2002*, Oxford, UK: Oxford University Press, 2001, p. 299; and International Institute for Strategic Studies, *The Military Balance 1991–1992*, London: Brassey's, 1991, p. 212.

¹³ Thom Shanker, "Defense Secretary Warns NATO of 'Dim' Future," *New York Times*, June 10, 2011, www.nytimes.com/2011/06/11/world/europe/11gates.html?_r=1&emc=eta1.

¹⁴ As one example, see Choe Sang-Hun, "Island's Naval Base Stirs Opposition in South Korea," *New York Times*, August 19, 2011, www.nytimes.com/2011/08/19/world/asia/19base.html?_r=1&emc=eta1.

¹⁵ Wendell Minnick, "CRS Report Reviews Taiwan Security, U.S. Relations," *Defense News*, May 24, 2012, www.defensenews.com/article/20120524/DEFREG02/305240003/CRS-Report-Reviews-Taiwan-Security-U-S-Relations.

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Part 3

PRACTICAL POLICY CHOICES

CHAPTER 5

Fiscal Shock, Combat Awe: Preserving Fighting Power in the New Austerity

John Dowdy

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McKinsey & Company

CHAPTER 6

Defense Drawdown: Dealing with the “Back Office” and Acquisition Costs

Gordon Adams

Professor of International Relations
American University

CHAPTER 7

Reimagining U.S. National Security

Jane Holl Lute

President and CEO
Council on CyberSecurity

“America’s dominant position in the defense spending league table since the end of the Cold War reflects the country’s economic strength as much as its policy stance and external orientation. In the short term, we adjust our defense spending to reflect the threat level, but over the longer term, we have the defense forces we can afford.”

—JOHN DOWDY AND DIANA FARRELL

Fiscal Shock, Combat Awe: Preserving Fighting Power in the New Austerity

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Introduction

In the past, when Congress has cut the U.S. defense budget, defense planners have tended to take expedient steps: They first eliminate the costs they can, those that appear in the current-year budget such as training and maintenance, and when these cuts fail to close the gap, they curtail or cancel equipment programs and disband combat units. But the approach is flawed and inevitably results in a huge loss in fighting power, out of proportion to the percentage cut in the budget. In previous drawdowns, such as the ends of the Korean, Vietnam, and Cold Wars, that disproportionate loss of combat power was serious but not fatal, as the cuts and the consequent “hollowing out” of the military took place against a backdrop of relative peace. Today, however, defense budgets must be reduced as major conflicts continue to erupt.

New circumstances call for new ideas. Militaries around the world have pioneered approaches to the new austerity to get more military output for less money. These new tools and techniques seek to eliminate activities that do not create value in three broad categories: a better alignment of the military to its true requirements; greater efficiency in the military’s quotidian operations; and reductions in headquarters and administrative expenses.

Many in the Department of Defense (DoD) argue that the tools and techniques that work elsewhere are not appropriate to the Department. To be sure, the DoD is unique in many ways: Not only does it have the largest military budget in the world, it is also one of the largest civilian organizations, one of the biggest healthcare and pension providers, and the largest energy consumer. But when these layers of

organizational complexity are unpacked and disaggregated, and its components considered at a molecular level, the DoD begins to look like any other military—one in which the new austerity approaches can take root and flourish.

Some militaries have been able to reduce costs by 10 to 20 percent with no loss in fighting power. But this requires a fundamentally different approach to the well-established norms. The DoD has already said as much: “A guiding principle of DoD budget choices is to first seek efficiencies and target excess overhead costs before cutting military capabilities such as force structure or modernization investments.”¹

The Department’s record of delivering efficiencies and reducing excess overhead has been poor, however. The required changes to the military’s way of working are daunting and should not be underestimated. If we are to avoid a Santayana-esque repetition of history, with the resulting loss in fighting power, the discussion now needs to move from what to how. Nothing will happen without concomitant change to the organization and its mindset. And change doesn’t come easily in defense.

Here We Go Again: Austerity, But With A Difference

Since World War II, the United States has been the world’s largest defense spender by far. U.S. wars in Iraq and Afghanistan in the past decade accelerated spending, driving it to historic heights and increasing America’s global share of a \$1.55 trillion market to 44 percent—more than six times the share of China, the second-leading spender.²

Today, however, the winding down of these two wars and acute pressure to reduce the national debt burden have cast a long shadow over the U.S. defense budget. The 2011 Budget Control Act resulted in reductions of \$487 billion over the next 10 years. Even prior to sequestration, total U.S. defense spending, including both base funding and wartime accounts, is projected to drop by 22 percent in real terms from its peak in 2010. The sequester could require another \$454 billion in cuts to defense, according to the Congressional Budget Office, including a reduction of 8 percent of the unprotected portions of defense spending this year, and \$52 billion in FY 2014.³

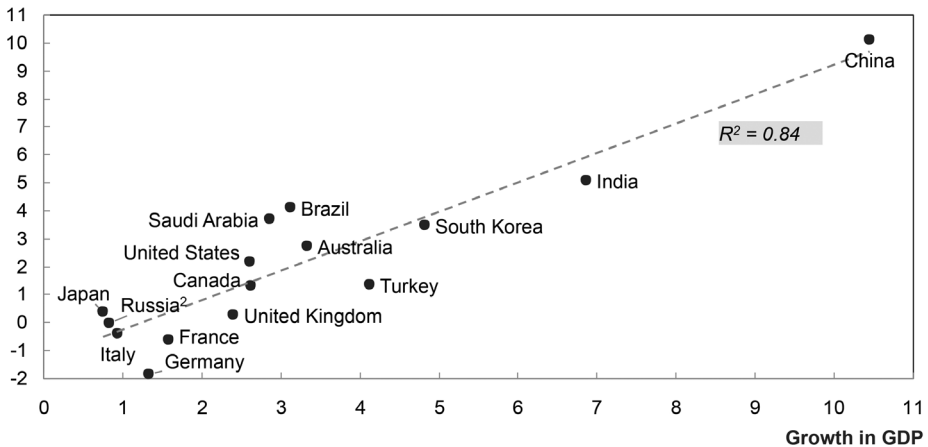
As dramatic as these cuts may seem, they have precedents. In 1952, defense spending reached a post–World War II high of 15 percent of GDP. In the years after the Korean War, it fell by 45 percent. In the 1970s, following the end of the Vietnam War, total defense spending fell by 33 percent; again in the 1990s, as the Cold War came to a close, defense spending declined by 35 percent.⁴ All of these cuts are deeper than those currently planned and of the same magnitude as possible future cuts.

This pattern may come as a surprise. Defense spending isn't cyclical in the classic sense: It is not linked in the near term to GDP growth or to fluctuations in the business cycle. But it does regularly expand and contract. Why? We argue that the size of the defense budget is driven by two factors, one in the short term and one over the longer haul. In the short term, the perceived level and nature of threat has a great influence on spending. But over the medium to long term (say 10 to 25 years), the nation's economic prosperity has far greater influence on spending (Exhibit 1).⁵

Exhibit 1 Military spending correlates with GDP growth over the long term.

Major military powers' GDP and military expenditure real growth rates, 1991-2011¹
%

Growth in defense expenditures



¹ Includes the 15 nations with the largest defense budgets (2011), representing ~85% of global defense spending. Rates are compound annual growth.

² 1992 defense spending used for Russia in place of 1991 due to data availability issues.

Source: McKinsey Global Growth Model, Stockholm International Peace Research Institute

While threat-driven fluctuations capture most of the attention, the long-term trend line has been remarkably stable. America's dominant position in the defense spending league table since the end of the Cold War reflects the country's economic strength as much as its policy stance and external orientation. In the short term, we adjust our defense spending to reflect the threat level, but over the longer term, we have the defense forces we can afford.

Austerity without peace

The mere fact that “we have all been through this before” should provide no solace to those tasked with implementing the latest set of cuts. In three of the last four major downturns in defense spending, external threats had dissipated. The Korean and Vietnam Wars ended and the Soviet Union collapsed shortly after the Berlin Wall came down. This time, we have austerity without peace. The withdrawals from Iraq and Afghanistan are fraught with instability, conflicts hot and cold continue in many parts of the world (for example, in the Korean peninsula), and new conflagrations continue to flare up (as in Mali and Syria). For militaries around the world, this is not austerity of choice. Instead it is austerity driven by national financial imperatives while threat levels stay high.

A Flawed Approach

In each of the three downturns in U.S. defense spending since 1950, the approach to cutting costs has tended to result in disproportionate reductions in capability, far more than the budgetary cuts would imply. In the aftermath of the Vietnam War, when expenditures fell by 33 percent, the active fighter aircraft inventory fell by 43 percent, from 4,004 to 2,299,⁶ and the number of surface warships fell by 40 percent, from 304 to 182.⁷ In addition to these reductions in force structure, serious shortages of qualified soldiers became a pervasive problem affecting unit readiness; in 1979, six of 10 Army divisions stationed in the United States were deemed “not combat-ready.”⁸ The end of the Cold War brought similar budget cuts and a similarly disproportionate impact to force structure. While the so-called Base Force⁹ budget was planned as a 10 percent reduction from previous levels, the decline was 35 percent in real terms. But U.S. active fighter aircraft inventory fell by 49 percent, from 3,057 to 1,553,¹⁰ and the number of surface warships fell by 50 percent, from 223 to 111.¹¹

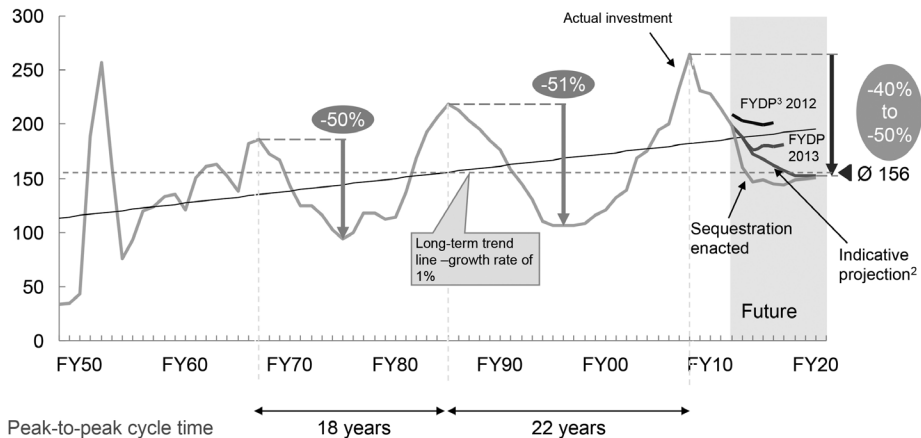
Why does this happen? At the risk of oversimplifying a complex process, defense planners tend to cut what they can. When governments need to save money quickly, they naturally and instinctively look first at cuts to the current-year budget, particularly training and maintenance, which seem straightforward and guaranteed to save money. However, cuts in these areas tend to be ineffective; there isn’t enough spending to deliver the required savings, and over time such cuts “hollow out” a force, leaving it incapable of delivering combat power when needed.¹²

Militaries then look at reductions in force structure and reductions in equipment procurement. In the U.S., which spends more on equipment than its NATO allies in

Europe (more than 30 percent versus an average of 20 percent in Europe), the cuts tend to fall disproportionately on equipment. For example, in the 1970s and again in the 1990s, though overall defense spending fell by about 30 percent, equipment acquisition fell by some 50 percent (Exhibit 2).

Exhibit 2 Defense investment suffers disproportionately when budgets shrink.

DoD investment (RDT&E¹ and procurement) spending
\$ billion, measured in constant 2013 dollars



¹ Research, development, test, and evaluation

² McKinsey projections assume \$800 billion in total reductions to Department of Defense discretionary funding for 2011-21 (the midpoint between the president's budget and the Budget Control Act of 2011's sequestration), with 50% of \$800 billion in cuts in procurement and RDT&E.

³ Future Years Defense Program

Source: Office of Management and Budget; US Department of Defense; McKinsey analysis

But canceling or reducing the scope of equipment projects once they are underway does not save as much as governments hope. Although it might seem reasonable that cutting the number of ships, tanks, or aircraft by half should save half the money, this is not the case. A substantial proportion of the total cost is tied up in R&D. For example, the development costs for the F-22 Raptor accounted for \$32 billion of the total \$67 billion program cost.¹³ When programs are canceled prior to full production, these sunk costs are lost entirely. If the number of aircraft is reduced, only the production cost is saved, and unit costs tend to increase as fixed costs are spread across a decreasing number of units. In some instances, total program costs can even climb as orders are chopped, especially as production volumes are stretched over longer periods of time.

Disproportionate cuts to the investment accounts can also result in a loss of the technological dominance U.S. forces have relied upon.¹⁴ Although we have some of the most capable equipment in the world, equipment numbers remain at low, post-Cold War levels. And the equipment is aging. The current U.S. Air Force fleet, whose planes are more than 26 years old on average, is the oldest in USAF history.¹⁵ Recurring deployments are wearing out an already aging fleet of combat vehicles.

Déjà vu all over again

Defense budget cuts are now well underway in the U.S., and it appears that the traditional approaches are still in favor. Sequestration has already resulted in substantial cuts to readiness-related spending. So far in 2013, the Air Force has had to ground about 33 squadrons, 12 of them “combat-coded” units.¹⁶ Another seven have been reduced to doing only basic “takeoff and landing” training. Army Chief of Staff General Ray Odierno has expressed similar concerns about his service’s ability to act in Syria, as have the Navy and Marine chiefs. Recent Air Force actions to address sequestration-mandated cuts have also targeted long-term investments; the cuts span new missiles, C-130 transports (the Special Forces version), and upgrades for existing aircraft, from B-1B bombers to F-15 fighters.

In a break with the traditional pattern, Defense Secretary Hagel has launched the Strategic Choices and Management Review (SCMR) “to re-assess the basic assumptions that drive the Department’s investment and force structure decisions and to search for additional management efficiencies.”¹⁷ In their prepared testimony in front of the House Armed Services Committee to discuss the findings of the SCMR, Deputy Secretary of Defense Ashton Carter and Vice Chairman of the Joint Chiefs of Staff James A. Winnefeld Jr. emphasized that “a combination of carefully chosen efficiencies and compensation reforms, combined with various carefully and strategically chosen alternative approaches to cuts in force structure, investment, and readiness, could achieve sequestration-level cuts over time”¹⁸ but would require increased flexibility in administering the cuts over more time. Given these dependencies, some critics continue to wonder whether and how it will be possible to preserve readiness, fulfill all of the missions deemed critical to the nation’s security, and invest in all of the weapons spending those missions entail with a post-sequestration budget \$454 billion smaller than the DoD has today. In effect, these critics are asking whether we are in another plans-reality mismatch.¹⁹

No More Easter Egg Hunts: Why This Time Must Be Different

We have seen how, paradoxically, cutting frontline units and equipment programs is a costly way of reducing costs. Getting more output from defense expenditure requires a different approach—one that links all output back to the requirement, drives functional efficiencies, and eliminates unnecessary bureaucracy and overhead. To its credit, the Department has attempted to cut overhead costs in the past and is planning to do so as part of the SCMR. But its record has been less than stellar. Then-Secretary Gates referred to his experience doing this as “akin to an Easter egg hunt.”²⁰ He found it nearly impossible to get accurate answers to questions such as “How much money did you spend?” and “How many people do you have?”

Our research and experience²¹ with high-performing defense departments around the world suggests there is a clear template to follow. Using the traditional military virtues of pragmatism and ingenuity, these organizations have found ways to boost productivity and achieve the substantial savings needed (up to 20 percent of the defense budget, excluding pension costs) while also protecting combat power. Three steps can deliver real savings: clarifying the military’s true requirement; making the military’s support functions (especially procurement, logistics, and IT) more efficient; and reducing administrative costs.

Clarify the military’s true requirements

As countries reexamine their strategic posture, they also must redefine their expectations for their armed forces. The DoD is currently engaged in this process through the SCMR. But the SCMR is a bottom-up review of the Pentagon’s budget led by officials from the Cost Assessment and Program Evaluation group (CAPE), rather than a bottom-up review of its strategy.²² In this case, as often happens, discussions of strategy are uncoupled from decisions about budgeting and resource allocation.

Furthermore, even when changes in strategy result from these reviews, they often take far too long to be translated into detailed expectations for individual units. Militaries thus accrete redundant infrastructure, preparing for the new demands while never quite phasing out the infrastructure that is no longer needed. U.S. forces have yet to fully adapt to the shift from the mandate to prevail in two major regional conflicts simultaneously to one that calls for defeating one adversary and denying a second while defending the homeland. Adapting forces to the changing demands of strategy requires first a clear strategic direction and then its rapid conversion into specific and detailed requirements for personnel training, equipment, logistics

support, maintenance, stock holdings, and infrastructure at the level of individual units. Based on this, a plan can be developed for adapting each capability and for the force as a whole, which can then release resources that are no longer needed.

The United Kingdom has had some success at tackling this problem. When high-level policy shifted the focus from worst-case scenarios to the most likely scenarios, the Ministry of Defence (MOD) changed the way it repairs aircraft. “Depth” repairs are now conducted at a single location for each aircraft type, and only “forward” repairs are made at operational squadrons. As part of a comprehensive program of coordinated changes, this move helped cut in half the cost of operating Tornado aircraft.

Functional efficiencies

Although defense is unique in many respects, many of the challenges the Department faces are no different from those faced by big businesses around the world. As the Defense Business Board points out, “there are world class best business practices that are applicable to government and that could make a huge positive difference.”²³ The biggest opportunities are in procurement, logistics, and IT.

Non-equipment procurement. Procurement offers plenty of potential cost savings. The DoD spends \$14 billion annually on such items as food, fuel, and spare parts for aircraft, ships, and vehicles. Some militaries are saving 12 to 20 percent on these items by, among other things, using a “category management” approach that encompasses all aspects of the management of a group of similar purchased goods.²⁴ In Israel, the Israel Defense Forces (IDF) and the Ministry of Defense have begun to work in integrated procurement teams, which take full accountability for a category. Category managers in these teams start from initial requirements. Their work addresses five areas with potential for savings: detailed specifications—often the best way to achieve savings is by reducing “gold plating”; quantity—for example, many ministries buy too many high-end personal weapons compared with the numbers of troops eligible to receive them, as more basic weapons have been defined as sufficient for many troops; order size—many ministries buy multiple small batches rather than the true required number for a year or multiple years; negotiations with suppliers on price and contract terms; and the management of stocks, storage, and distribution after purchase. In many cases, especially in maintenance, category management also involves make-versus-buy decisions. Detailed work on six categories representing roughly one-third of spending yielded annual savings of 8 to 10 percent. Based on this work, the Israeli government projects total savings of \$250 million per year.²⁵

Logistics. Many militaries have made substantial changes to their forces and how they operate, while the supporting logistics remain largely unchanged. Some forces have seen substantial improvements in productivity—up to 30 percent—by redesigning the flow of goods “from factory to foxhole” to eliminate waste. The U.K. MOD did some pioneering work in its revitalization of its Defence Logistics Organisation (DLO) from 2004 to 2007. An end-to-end approach identified and delivered savings of between 19 and 24 percent in equipment maintenance, repair, and overhaul activities. The planned savings (and quite a bit more) were delivered through a complex, multiyear, ministry-wide transformation program, involving more than 1,000 pan-departmental projects and affecting more than 20,000 MOD staff. The program resulted in new support arrangements for a wide range of platforms, including tactical aircraft, transport aircraft, ships, submarines, helicopters, surveillance assets, and armored fighting vehicles. Total savings through this four-year comprehensive redesign of support arrangements were £2.8 billion.²⁶

Militaries can also capture more value from arrangements with their third-party logistics providers. With the growing prevalence of performance-based logistics (PBL) contracts, more of the total support cost is outside the DoD’s direct control. When set up properly, these contracts can deliver real savings. In the U.K. the availability-based contracts for the Tornado fleet delivered substantial savings: The BAE Systems ATTAC contract saved the MOD £510 million over the first 10 years, and the Rolls Royce ROCET1 saved £136 million over five years.²⁷ But these contracts do not always represent good value. In 2008, the U.S. Government Accountability Office (GAO) conducted a review of PBLs and found that while in almost all cases performance was at or above the contracted level, the evidence for cost savings was unclear, and in some cases the PBL had cost more.²⁸ To ensure that PBLs deliver value, we have found it necessary to audit suppliers. In one international example, we found parts priced as much as 2.2 times the market rate. Subsequent negotiations reduced the total contract cost by 42 percent.

Improve yield on IT spending and improve outcomes. Our work on IT with defense forces has shown that it is possible to increase the efficiency of the data architecture three to four times by clarifying the decision rights and authority held by individual program managers and system integrators. When responsibilities and controls are tangled and overlap, between 60 and 80 percent of resources are typically underutilized. After aggregating resources to share fixed costs, it is possible to drive labor productivity up (and in some cases to double it) by segmenting, consolidating, and streamlining workflows.

At \$32 to \$33 billion annually, the DoD is the world's largest spender on IT by a factor of three, yet it struggles to achieve the scale benefits typically enjoyed by a \$1 billion organization. Recently the Department has begun to find ways to get better yield from its IT expenditures. The Office of the Secretary of Defense (OSD) Personnel and Readiness (P&R) launched a broad transformation program in 2011 to modernize and realize economies of scale. P&R identified more than \$400 million in annual savings (more than 15 percent of its total IT budget) through data center consolidation (including reduction in the number of sites, better utilization of servers and floor space, and reductions in real estate costs), productivity improvements (such as lowering desk-side support ratios and providing more remote support), and strategic sourcing (for example, rationalizing the number of software licenses and changing the frequency of hardware refreshment cycles).

Reduce administrative expenses

Since the end of the Cold War, most Western countries have failed to reduce administrative functions at the same rate they have reduced frontline forces. Headquarters and support functions have tended to shrink more slowly than the frontline units—partly due to organizational inertia (the people deciding on cuts are rarely those at the front line) and partly due to the loss of genuine economies of scale. In addition, the oversight added in recent years to help control costs has ironically driven administrative costs higher.

In its 2010 report on DoD overhead,²⁹ the Defense Business Board highlighted “an explosion of overhead work because the Department has failed to establish adequate controls to keep it in line relative to the size of the warfight.”

Indeed, our analysis consistently shows that the productivity of DoD administrative functions is well below that of key allies and comparable public and private organizations. We see similar opportunity to improve the appropriate use of uniformed military personnel, civilians, contractors, reservists, and third-party providers for individual tasks. In the U.S., some of the variance is inevitably caused by the more expeditionary nature of U.S. forces (and dependence of some of its allies on the U.S. in this regard), but there is clearly an opportunity to improve.

A more comprehensive approach to administrative costs was taken in Denmark, where the military was reorganized from 2005 to 2007 to move from a static, defensive posture to one that could support expeditionary missions abroad. The Danish Ministry of Defense described the situation and the work it did: “The support structures,

the tail, had grown out of proportion and the operational structures, the teeth, had reached a level of close to irrelevance. The re-structuring from scratch entails a change in emphasis in order to bring the priorities from 40 percent operational capabilities and 60 percent support structures to 60 percent operational capabilities and 40 percent support structure.”³⁰

While Denmark’s ministry (a much smaller organization than the U.S. DoD) had already started down the road of unlocking cross-service efficiencies (a topic discussed above), it extended this journey dramatically by creating further tri-service organizations for both general support functions (HR, accounting, IT, communications) and military support functions (logistics and maintenance). The transformation reduced support costs by a third.

From What To How

A bipartisan group of defense analysts joined forces in June of this year to petition the administration and the Congress to “ditch the politics of defense and focus on the management dilemma.”³¹ Despite ideological differences, the analysts agree on an agenda of changes, including a reduction of the civilian workforce similar to what we described above. The Center for a New American Security (CNAS), one of the think tanks involved, also released a report in June 2013 that spells out its proposed cost-cutting agenda in more detail; it too presented some ideas that we also endorse.³²

However, as the signatories to the think-tank letter recognized, the “challenge has been getting Congress and the Administration to admit change is required and take action.” The new ideas we described above are not minor adjustments. The changes they entail are transformational, not incremental, requiring an intensive, programmatic series of initiatives—often cutting across several disciplines and organizational boundaries—characterized by major shifts in mind-sets, behaviors, and capabilities.

Successfully implementing this type of transformational change is not easy; indeed, the majority of transformation programs in both the public and private sector fail. Our recent survey of almost 1,000 leaders and senior employees in more than 30 U.S. government agencies found that only 40 percent believed that their transformation programs succeeded.³³

However, our experience with large-scale transformation programs in defense organizations around the world has taught us five lessons that can help contribute to the success of a defense transformation.

Start from the sharp end. Defense leaders are rightfully concerned first and foremost with preparing, deploying, and sustaining forces to deliver operational effect. Change programs in defense that start with operational effectiveness create stronger engagement and are more likely to succeed than those focused primarily on cost reduction.

The U.K.'s work on end-to-end logistics serves as a good example. Rather than focusing primarily on cost reduction, the program set out to deliver a number of important operational improvements. These included reducing the deployed footprint, improving supply chain performance, and increasing platform availability. By proposing to deliver a superior operational solution, the program secured the full support of operational commanders. In almost all of the areas investigated, it also delivered a more cost-effective solution. The DLO recognized that a better solution is usually also a cheaper one, though the converse is not always true.

As a result of this work, for example, delivery time to bases in the U.K. and Germany decreased from 30 days to 7 days. In Afghanistan, customer wait time was reduced by 15 days.³⁴

Lead through the line. In a typical transformation program, a project team—working in relative isolation—defines the program's objectives, designs initiatives, and expects personnel on the ground to implement them. This is a mistake, particularly in military organizations where, in our experience, commanders often prefer to give up budget rather than authority.

In contrast, leaders of successful defense transformations empower line personnel, set clear expectations of them, and hold them accountable for the transformation's success within the established chain of command.

The U.K.'s Defense Logistics Transformation Program (DLTP) was particularly successful in this regard. Warfighters were embedded into each of the project teams and helped shape the specific recommendations. Suggested changes were then vetted with the appropriate front-line commanders, who were able to quiz their own embedded staff about the suitability of the resulting initiatives. An audit of the program by the U.K. Office of Government Commerce (OGC) found "the DLTP has been well led and organized. The program appears to have been notably successful, through a structure of program boards, in obtaining buy-in at senior levels in the front line commands whose full involvement in implementing the change will be vital to success."³⁵

Leading change programs "through the line" in this way capitalizes on the "can do" attitude of military culture, empowering officers to hit aggressive targets set through the chain of command.

Resist the urge to reorganize; start with quick wins. When embarking on a transformation program, it can be tempting to focus first on reorganization. But an initial emphasis on roles, responsibilities, and reporting often delivers few results.

Leaders of successful defense transformations resist the urge to reorganize and focus first on securing successes that can make a big difference to the momentum of a program. They specifically aim to achieve “quick wins,” often through targeted pilots, over the first three to six months. Many of these initial successes can then be turned into transformational change across the organization.

One such example is a recent pilot at the U.K. MOD, a six-month trial of logistics transformation techniques in five areas (spanning tactical aircraft, tactical lift, and rotary lift). These pilot programs demonstrated immediate cost savings, contributing to £300 million in savings in the first year of the transformation. Just as important, the programs created the confidence, momentum, and initial capabilities to enable a roll-out that eventually transformed the structures and practices of maintenance across the Royal Air Force.

Expect (and plan to overcome) resistance to change. Large militaries are highly resistant to change as a result of their organizational size, complexity, and culture. In the U.S., for example, in 2006 the Defense Business Board’s Innovation and Cultural Change Task Group concluded: “The current Defense enterprise promotes a risk-averse culture that is afraid to fail and strongly resists change.” Yet despite a general awareness of this resistance, even seasoned defense leaders underestimate the degree of inertia and resistance to change within their organization.

Leaders of successful defense transformations take an end-to-end approach to overcome this inertia in two ways. First, they set a clear vision and ambition for the transformation—one that emphasizes the link to the organization’s overall mission, clarifies why the program is necessary, and outlines a journey over the coming years that resonates within the organization. When the United Kingdom created the DLO, it set an ambitious goal to reduce costs by 20 percent while maintaining output, a target reached as promised within five years. The savings were required to fund a series of important equipment upgrades, which served to secure support from operational commanders. Second, this approach ensures a credible and visible commitment to the transformation from top-level leadership. The United Kingdom’s end-to-end review of air and land logistics was jointly led by the vice chief of the defence staff and the MOD’s second permanent under secretary.

Invest in building capabilities. Building the right capabilities is a prerequisite to achieving and sustaining change in any organization. Among U.S. government leaders who reported limited success in their change efforts, 75 percent said that the right capabilities were not present.³⁶

In many defense ministries, leaders rise through the ranks based on a substantial body of excellent work that demonstrates mastery of core military and leadership skills critical to war-fighting. But achieving and sustaining change often requires not military but management capabilities in fields such as project management, procurement, and product development. Successful transformation programs first define the core and functional capabilities required and then invest in building these capabilities using programs that follow best practice adult-learning principles. Such approaches, which are familiar to the military from its combat skill development, can be six to seven times more effective than conventional training courses.

Take project management, for example, where a robust organizational capability can pare as much as 20 percent of costs in about half the defense budget. One defense organization used “learning by doing” programs to train several waves of project managers and leaders. Managers who successfully completed the training designed to build their project management capabilities were able to cut costs on most projects by between 20 and 35 percent.³⁷

• • •

Today’s belt-tightening seems uniquely difficult, but Rudyard Kipling reminds us of a timeless military principle:

No Proposition Euclid wrote
 No formulae the text-books know
 Will turn the bullet from your coat
 Or ward the tulwar’s downward blow
 Strike hard who cares—shoot straight who can
 The odds are on the cheaper man

—from *Arithmetic on the Frontier* (1886)

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¹ "Defense Budget Priorities and Choices—Fiscal Year 2014," U.S. Department of Defense, defense.gov, April 2013.

² Stockholm International Peace Research Institute, sipri.org.

³ *The Budget and Economic Outlook: Fiscal Years 2013 to 2023*, Congressional Budget Office, cbo.gov; "Hagel details defense 'Plan B' if sequestration continues," U.S. Department of Defense, defense.gov, July 2013.

⁴ Figures for Defense Budget Authority are from "Historical and Projected Funding for Defense" reports, Center for Strategic and Budgetary Assessment, csbaonline.org.

⁵ See, for example, Anthony H. Cordesman and Robert M. Shelala II, *U.S. Defense Budget Cuts, Sequestration, and the FY2014 Budget Submission*, Center for Strategic and International Studies, csis.org: "Strategy will, however, be driven as much by changes in the national economy, national resource and cost constraints, and entitlement pressures, as by threats." For more on the correlation between economic prosperity and growth in defense spending, see Jonathan Ablett and Andrew Erdmann, "Strategy, scenarios, and the global shift in defense power," *McKinsey on Government: Special Issue on Defense*, mckinsey.com, Spring 2013.

⁶ Colonel James C. Ruehrmund Jr. and Christopher J. Bowle, *Arsenal of Airpower: USAF Aircraft Inventory 1950-2009*, Mitchell Institute Press, afa.org, November 2010.

⁷ “U.S. Navy Active Ship Force Levels, 1886-present,” Naval History & Heritage Command, history.navy.mil.

⁸ *The New York Times*, September 21, 1980.

⁹ The Base Force announced in 1990 was the embodiment of a new military strategy and force structure for the post–Cold War era. It was predicated on the assumption that the United States would not have to commit any significant forward-deployed forces—a recognition of the perceived drop in the threat level. See Lorna S. Jaffe, *The Development of the Base Force, 1989–1992*, Joint History Office, Office of the Chairman of the Joint Chiefs of Staff, July 1993, dtic.mil.

¹⁰ Ruehrmund Jr. and Bowle, *Arsenal of Airpower: USAF Aircraft Inventory 1950-2009*.

¹¹ “U.S. Navy Active Ship Force Levels, 1886-present.”

¹² Indeed, the term “hollow force” is an artifact of an earlier drawdown. General Edward C. Meyer, chief of staff of the Army (1979-1983), is credited with introducing the term during a May 29, 1980, House Armed Services Committee hearing, in which he said: “Right now, as I have said before, we have a hollow Army. Our forward-deployed forces are at full strength in Europe, in Panama, and in Korea. Our tactical forces in the United States are some 17,000 under strength.” The term came to mean not only shortages of experienced personnel but also shortages of training, weapons, and equipment that undermine military readiness.

¹³ “Air Force F-22 Fighter Program,” Congressional Research Service, crs.gov, July 2013.

¹⁴ Stephen Bowns and Scott Gebicke, “From R&D investment to fighting power, 25 years later,” *McKinsey on Government*, mckinsey.com, Spring 2010.

¹⁵ “Aging array of American aircraft attracting attention,” *Defense Industry Daily*, defenseindustrydaily.com, February 2013.

¹⁶ “Sequestration grounds more planes than were lost at Pearl Harbor,” Lexington Institute, lexingtoninstitute.org, June 2013.

¹⁷ Secretary of Defense Chuck Hagel’s submitted statement on the FY 2014 budget request for the Department of Defense, House Budget Committee, budget.house.gov, June 12, 2013.

¹⁸ Deputy Secretary of Defense Ashton B. Carter and Vice Chairman of the Joint Chiefs of Staff James A. Winnefeld Jr., Prepared testimony, House Armed Services Committee, August 1, 2013.

¹⁹ In 1980, Pentagon analyst Chuck Spinney gained national prominence for his critique of the defense budgeting process, *Defense Facts of Life: The Plans-Reality Mismatch* (republished in 1985 by Westview Press), in which he criticized what he described as the reckless pursuit of costly complex weapon systems by the Pentagon without regard to budgetary consequences.

²⁰ Bob Brewin, “Gates and the Defense Budget Easter Egg Hunt,” nextgov.com, May 2011.

²¹ For a fuller description of this work, see David Chinn, “Preserving combat power when budgets are falling,” *McKinsey on Government: Special Issue on Defense*, mckinsey.com, Spring 2013.

²² James J. Carafano, “Chuck Hagel Begins Knifing the Pentagon,” The Heritage Foundation, heritage.org, April 7, 2013.

²³ Minutes of the quarterly meeting of the Defense Business Board, DoDbuzz.com, July 2010.

- ²⁴ Hans Arnum et al., “Big savings from little things: Non-equipment procurement,” *McKinsey on Government*, mckinsey.com, Spring 2010.
- ²⁵ “Efficiency Plan Due to Save Defense System at Least 100 Million NIS a Year,” Israel Defense Forces, dover.idf.il, August 2009.
- ²⁶ *Defence Logistics Transformation Program Handbook*, U.K. Ministry of Defence, April 2008.
- ²⁷ “ATTAC! Britain hammers out through-life support framework for Tornado fleet,” *Defense Industry Daily*, defenseindustrydaily.com, October 2012; “Rolls Royce and MoD sign £690 million contract,” *The Independent*, independent.co.uk, April 2010.
- ²⁸ *Defense Logistics: Improved Analysis and Cost Data Needed to Evaluate the Cost- effectiveness of Performance Based Logistics*, U.S. Government Accountability Office, gao.gov, December 2008.
- ²⁹ Arnold Punaro, “Reducing Overhead and Improving DoD’s Business Operations, Defense Business Board,” dbb.defense.gov, July 2010.
- ³⁰ General H.J. Helsø, “Transformation is Key to Armed Forces’ Relevance,” Danish Defence, forsvar.dk, July 2013.
- ³¹ Letter from the Defense Reform Consensus to Secretary Hagel, Chairman Levin, et al., aei.org, June 3, 2013.
- ³² Lieutenant General David W. Barno et al., *The Seven Deadly Sins of Defense Spending*, Center for a New American Security, cnas.org, June 2013.
- ³³ Stacey Deitsch, Diana Farrell et al., “Leading transformational change in the public sector,” mckinsey.com, May 2013.
- ³⁴ Air Vice-Marshal Matt Wiles CBE and David Chinn, “Supply chain transformation under fire,” *McKinsey on Government*, mckinsey.com, Spring 2010.
- ³⁵ U.K. Office of Government Commerce Gateway Review 888.
- ³⁶ Deitsch, Farrell, et al., “Leading transformational change in the public sector.”
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“Politics is at the heart of the matter. One cannot will it away, nor conceal its presence behind a debate over strategy, mission, management, or technology, all of which play their own roles in defense decision-making.”

—GORDON ADAMS

Defense Drawdown: Dealing with the “Back Office” and Acquisition Costs

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Introduction

The Defense Department is still at the front end of a major drawdown in budgets and forces. Both fiscal resources and the active duty combat forces began to decline after FY 2010 and are likely to continue to shrink over the next decade. The policymaking and political systems are beginning to come to grips with this inevitable trend. Elected officials such as Sen. John McCain and Rep. Howard “Buck” McKeon and industry organizations such as the Aerospace Industries Association have lamented this trend.

It is important, however, to keep the current defense drawdown in perspective. Even as defense budgets decline, they remain unprecedentedly high in constant dollars compared to the past six decades. U.S. military forces remain today, and are likely to remain in the future, the dominant, most agile, deployable, and well-equipped military in the world. It is, and will remain, the only force with global reach—deploying, flying, and sailing—and the only one with global logistics, communications, transportation, infrastructure, and intelligence. Moreover, U.S. defense budgets and forces have gone through previous drawdowns—after the Korean and Vietnam wars and the end of the Cold War—without losing their global edge. Even in the current drawdown, the U.S. military does not hover on the edge of military hollowness or risk a loss of global military credibility.

Nevertheless, how this drawdown is managed will be critical to the long-term effectiveness, size, and capability of the force. The capacity to shape and equip the right military for the future is closely linked to the Pentagon’s ability to gain control over its personnel costs (pay and benefits), the acquisition costs of military hardware, and, above all, its sizeable overhead. For political reasons external to the Defense Department, overall budget resources will decline over the next five to 10 years.

Internally, the fiscal “trade space” for force structure and hardware decisions will be determined by how successfully the Pentagon grapples with the internal fiscal pressures generated by these three management issues.

The Stages of Grief and the Need for Acceptance

As the reality of the defense drawdown has become clear, policymakers and elected officials have been going through their own version of the stages of grief. First, denial—the defense budget cannot go down, must not go down, has to grow given the dangerous world of today.¹ Then, anger—think of the jobs lost, the industries and communities hammered in the middle of a weak recovery.² The Defense Department is now at the stage of bargaining—don’t cut defense “too fast,” do not make “meat axe” cuts, readiness is in peril, give us time, give us flexibility, let us back-load the cuts into budget forecasts well into the future.³ Some have reached the stage of depression—furloughs really hurt, why doesn’t the nation focus on this issue, does nobody care?⁴

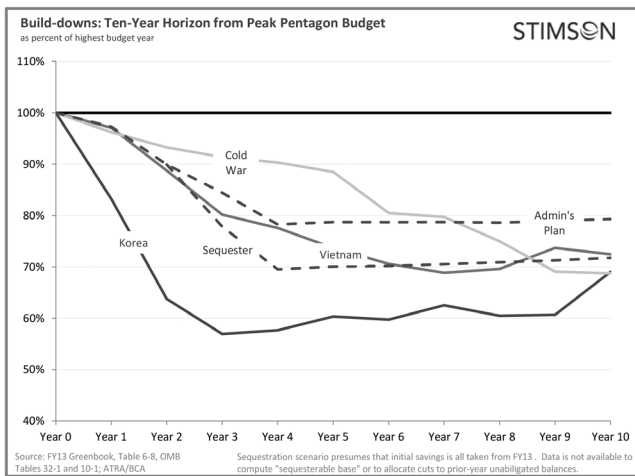
Although much of this attention has focused on the impact of budgetary sequester, the ceilings in the Budget Control Act of 2011 only accelerate the drawdown; they do not change the vector for future defense resources. The drawdown is inevitable, a consequence of the end of combat in Iraq and Afghanistan and a shift in public and congressional attention to domestic fiscal and economic realities. As the economy, national debt and budgetary deficits, immigration, and health care have moved to the center of public and policy attention, national security issues have become less relevant on the political stage. Not for the first time, defense budgets are “drive-by victims” of the broader effort to restrain spending and slow the growth in the national debt.

Accepting this context is a critical first stage for dealing with the forces structure, technology, and management issues at DoD. Acceptance says it is not possible for the Pentagon to “dig” its way out of the drawdown through public testimonials about “devastated readiness” or “low morale among employees.” The dilemma will not be solved by somehow convincing Congress that the consequences of steep decline for defense capabilities are “unacceptable.”⁵

These fiscal and political realities and historical experience suggest that a deeper defense drawdown than is currently projected by DoD budget forecasts is coming. It could easily include \$500 billion more in budget reductions over the next decade than the current Pentagon baseline budget plan and quite possibly more. It is likely to

reflect a reduction from peak (FY 2010) to trough (10 years out) of at least 30 percent in constant dollars, consistent with historical drawdowns.⁶ (Table 1) The gap between the aggregate budgets DoD would have received if the FY 2010 level (including war costs) had simply been increased with inflation for the following 13 years and what it actually will receive could be as much as \$1.5 trillion.⁷

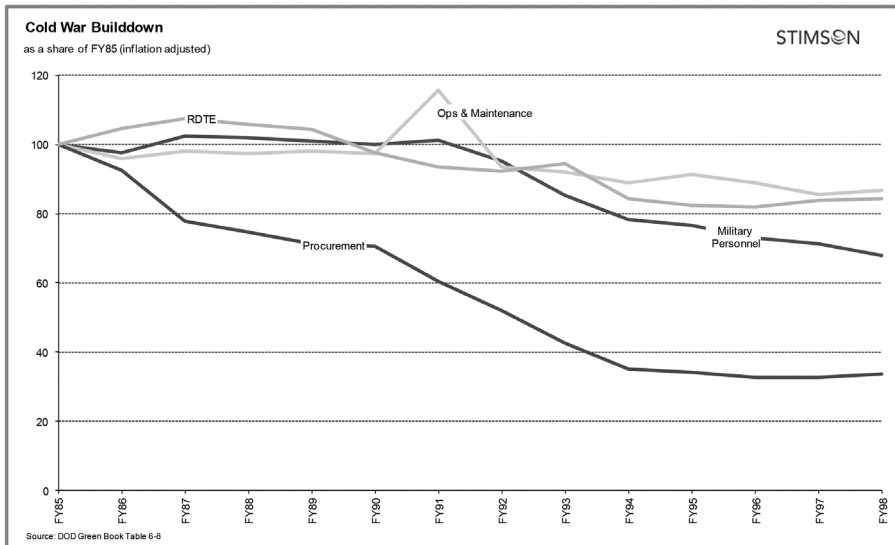
Table 1



	Savings	Y10 % less Y1
Korea	\$2.4T	31%
Vietnam	\$1.3T	28%
Cold War	\$1.0T	31%
Admin Plan	\$1.3T	21%
Sequester	\$1.8T	28%

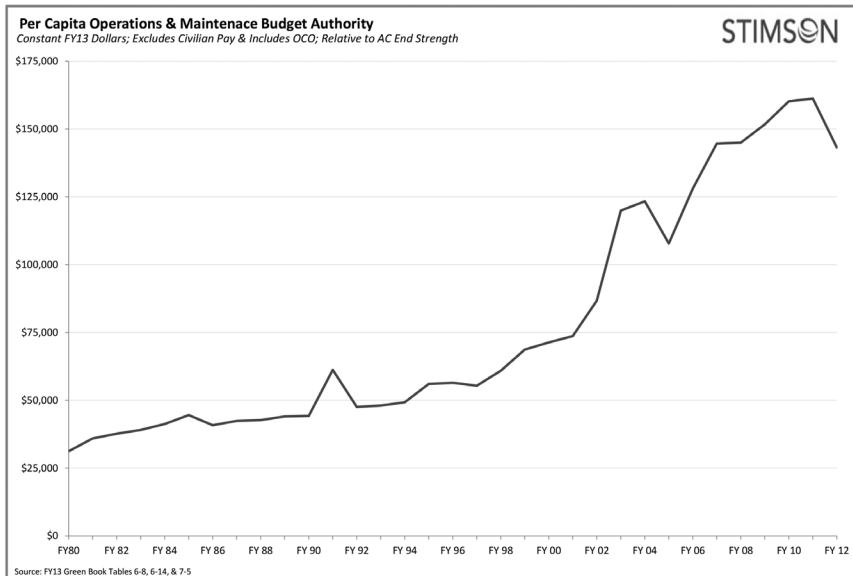
What Is to Be Done?

DoD can be managerially smart about how it goes about this drawdown, or, let us say, less smart. The less smart way would be to parallel past performance in a drawdown and execute a “chunky” form of the “peanut butter spread,” a trend that is already underway. Historically, this approach has meant that every part of the defense budget goes down, but some cuts are deeper than others because they are easier to do. (Table 2) “Chunky peanut butter” has typically included a sharp reduction in defense investment—principally hardware procurement. This is already happening—procurement funding was already down more than 20 percent in constant dollars pre-2013 sequester, while the overall budget was down a bit more than 10 percent.

Table 2

Shrinking the force has been the second chunk. The current defense plan is on track to do that, though it leaves an Army that is still larger than before the invasion of Iraq. Cuts to the operational accounts—Operation and Maintenance (O&M), which fund operations, base maintenance, depot repair work, fuel purchases, training and operations, services contracting, and DoD’s civil service—are generally less deep, as are spending reductions for research and development.

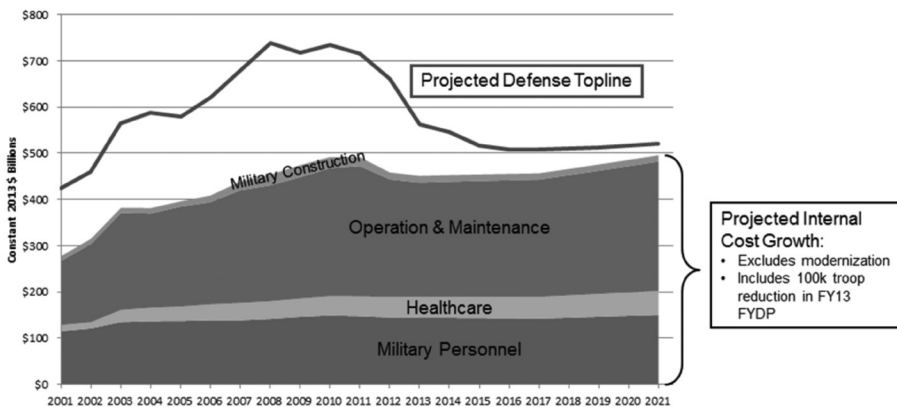
Peanut butter, even chunky, is not a sensible managerial approach for today’s drawdown. The reason stems from serious internal pressures on defense spending, pressures that are more severe than they have been in the past. Three internal pressures are putting a severe stress on the ability of the Pentagon to manage this drawdown: 1) Unlike past drawdowns, the Pentagon is paying the fiscal (and political) price of an all-volunteer force—pay and benefits (health care among them) have risen 90 percent since 2001.⁸ 2) The costs of military hardware have, for decades, grown beyond service (or contractor) projections, squeezing investment budgets. And, most important, 3) defense overhead—the “back office”—budgets for operations, administration, and defense infrastructure (largely funded through the O&M accounts) have basically doubled per active duty troop since 2000. (Table 3)

Table 3

If these three internal cost pressures are not constrained as a central element in managing the drawdown, current projections for the size and structure of the force and projected plans for the acquisition of technology are unsustainable, with downstream implications for military strategy.⁹ In the worst case, if current trends are unchanged, pay, benefits (including health care), and operational costs could consume 80 percent or more of the defense budget by FY 2021.¹⁰ (Table 4) Moreover, if procurement budgets were to continue to consume approximately a third of the overall defense budget, roughly their historic share, force size alone might shrink by another 450,000 over the next decade.¹¹

Table 4

Internal Cost Growth against the Projected Topline



"If DoD wants to maintain end strength at currently planned levels but cannot reduce the growth rate of personnel and O&M costs below their historical norms, then personnel and O&M costs could consume 80% of the budget by FY21."
 —CSBA Senior Fellow Todd Harrison (also a CSIS Defense Drawdown Working Group member)

Source: Center for Strategic and International Studies

This is the management challenge DoD faces, with or without sequester. All three cost centers pose major management and political challenges for the Pentagon. If the drawdown is to leave in place an appropriate and technologically sophisticated force, these challenges must be overcome. A chunky peanut butter strategy, which avoids these challenges, could lead to significant procurement and personnel reductions.¹² This paper deals specifically with the challenges and opportunities in dealing aggressively with the Pentagon's back office, which consumes more than 40 percent of the defense budget and offers multiple opportunities for savings. It also comments on alternative approaches to acquisition management.

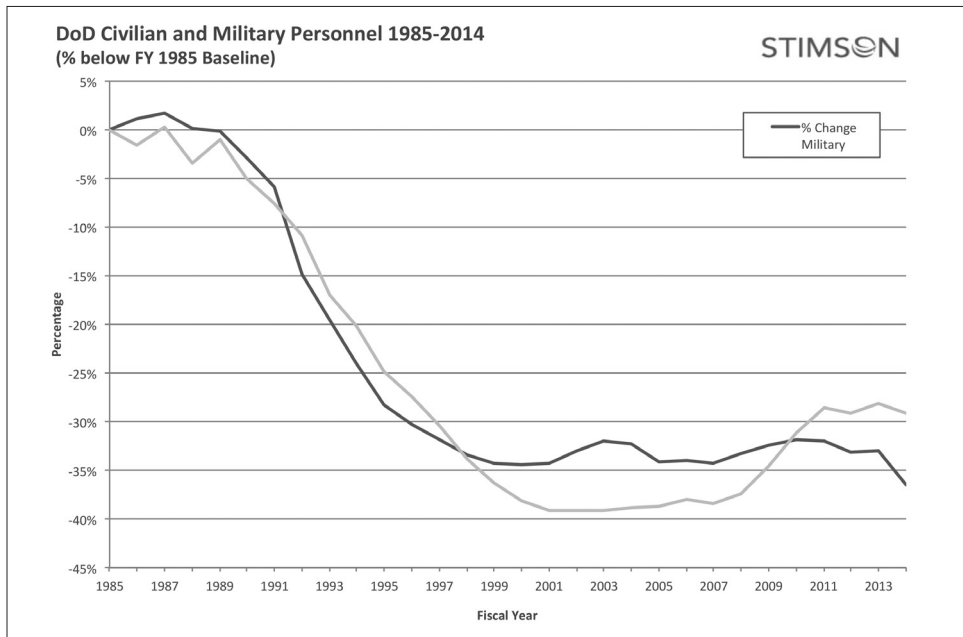
Defense Overhead: The Pentagon's Back Office

DoD is a “Department of Government,” performing virtually every function the entire federal government performs, either in a major way (personnel management, financial systems, health care insurance and management) or in microcosm (education and training systems, counseling, recreation facilities). The O&M accounts are the primary source of funding for overhead. Measured per troop, O&M funding has grown continually, roughly 2-3 percent per year/per troop above the rate of inflation. O&M funding has grown significantly since 2001, virtually doubling in constant dollars per active duty troop. (Table 3)

DoD and the military services are living testimony to the tendency of bureaucracies to grow. Defense overhead is immense—the Defense Business Board estimated that it consumes 42 percent of the defense budget, a share considerably higher than that of the typical private sector enterprise.¹³ It is a complex set of programs and activities that requires careful definition.

First, overhead growth is sometimes attributed to the expansion of the Office of the Secretary of Defense, defense-wide agencies, and the Joint Staff. There is some truth to this, particularly the growth of the Defense Health Program. But DoD and service overhead spending is not concentrated in these senior-level offices and cross-service institutions. More than 70 percent of overhead spending, according to the Defense Business Board, is inside the architecture of the separate military services.¹⁴

Second, overhead growth has also been attributed to the growth of DoD's civil service personnel, which are funded through the O&M budget. Again, there is some truth here. The DoD civil service, which currently is more than 800,000, has grown 17 percent over the past decade, while the active duty military force shrank 3 percent.¹⁵ (Table 5) However, over longer periods of time, both the active duty force and the civil service at DoD tend to rise and decline in roughly the same proportions to each other. What may be more significant currently, however, is the significant growth in the “ghost” civil service—private contractors working for DoD largely in the broadly defined area of “services.” There are roughly 700,000 contractor personnel working alongside the civil servants, according to Pentagon estimates.¹⁶

Table 5

In addition, a third tier of the back office is not funded through O&M accounts but in the services personnel accounts. Based on DoD data, the Defense Business Board estimated that 560,000 uniformed military personnel serving in 2010 had “never been deployed” but were working in overhead positions. Moreover, using separate Pentagon data, the Board estimated that 340,000 active duty military personnel were working in positions that were “not inherently government work,” which could be done by civil servants, contractors, or eliminated altogether.¹⁷ Altogether, in gross numbers, as many as 1.8 million contractor, civilian, and military personnel may be working in the Pentagon back office.

Third, it is also important to distinguish between DoD overhead and military readiness. Some part of the funding for overhead is directly related to readiness—particularly for the operations of deployed military forces, military training, and equipment maintenance and overhaul programs. As a result, discussions of reducing funding for O&M are often turned into rhetorical debates, suggesting that O&M reductions ipso facto mean reduced military readiness. Again, there is a germ of reality here; there is no doubt that some aspects of military readiness are funded in

the O&M budget. However, as the Congressional Budget Office (CBO) has pointed out for years, “DoD ... has not been able to clearly identify the relationship between the department’s O&M spending and the readiness of military units.”¹⁸

If defense overhead is to be appropriately reduced, it is critical to separate true back office spending from readiness. A substantial part of O&M funding supports activities that have, at best, only an indirect link to readiness, however it is measured. CBO makes a distinction between mission-related spending and infrastructure-related spending, rearranging DoD budget data to do so.¹⁹ In CBO’s calculation, more than half of O&M spending falls in the infrastructure category, covering such activities as education, recruiting, administration, service-wide functions, base operations, financial activities, supply management, and personnel administration, as well as the bulk of the salaries paid to DoD civil servants.²⁰

Fourth, a distinction needs to be made between the flexibility inherent in O&M spending and the lack of flexibility in the other major DoD accounts—military personnel, procurement, and research and development. O&M funds are highly fungible—significant resources can be moved among the various O&M activities and programs without notifying Congress. Moreover, O&M appropriations for Overseas Contingency Operations are made to the same accounts used for nonwar operations, providing additional resources and flexibility. That fungibility is valuable to the services, for it allows managers to move funds as needed when priorities change—from training to combat operations, for example. At the same time, because O&M funds are aggregated at a fairly high level, it is more difficult to “de-layer” and track O&M spending than hardware, research, or personnel, making the management job of tackling the back office more difficult.

Tackling the Back Office Challenge

These complexities in DoD overhead make shaping reforms and executing appropriate budget reductions and reforms more difficult. Secretary of Defense Robert Gates defined the overhead challenge as an issue of “efficiencies” and actively sought ways to trim the back office. It has proven difficult to track the \$100 billion in savings the secretary was seeking, however. In one of the most visible actions—the abolition of the Joint Forces Command—the Command itself was disbanded, but a significant number of its activities moved to the Joint Staff, which grew by 3,000 personnel after the Command was closed.²¹ Secretary Leon Panetta announced an additional \$60 billion in overhead savings through efficiencies, but the Government

Accountability Office (GAO) could not identify them in any detail. Nor does DoD seem to have tracked the budgetary savings that resulted from these budget-cutting efforts.

Nevertheless, the trade-offs are stark. Because overhead consumes a large share of the overall budget, gaining control over the back office will be the key to retaining resources in a budget that is in overall decline, providing for mission-ready forces and the technology they require. Overhead reductions are one of the more intractable challenges the civilian and military leadership of the Pentagon faces.²²

Overhead spending seems to grow on its own. Staff sizes expand in times of budgetary growth; staff reduction is resisted in times of austerity. Because it is difficult to “peel the O&M onion,” identify and isolate those parts of overhead that are duplicative or unnecessary, most secretaries of defense and comptrollers control overhead by simply shrinking the funds, taking funding out of overhead accounts in advance and asking the agencies and services affected to respond with more efficient management.

More ambitious secretaries seek to squeeze out specific efficiencies, but an efficiencies effort is insufficiently ambitious. Back office control demands continued attention by senior leadership; buy-in from military services leaders, who are often the architects of overhead expansion; and political support from the key committees in Congress.

There are no magic wands for overhead reductions, beyond the lash of overall O&M budget reductions. The reform approach needs to start by clearly identifying overhead as a priority target for resource planning. While it may figure in the 2013 Strategic Choices and Management Review (SCMR) exercise, there has been little apparent effort to publicly identify the objectives of management reform.²³

What are the steps DoD should consider? First, overhead is a people and force management issue. The force to be managed includes all three categories of overhead personnel: military, civilian, and contractor. Taking a page from the 2010 Defense Business Board briefing, DoD should start by carefully scrutinizing the number of active duty military performing civilian and even nongovernmental functions. It should also conduct a more careful inventory of the number and work of private contractors in overhead functions.²⁴

Second, with a more accurate inventory in hand, the Pentagon should consider shrinking all three categories systematically across the board. To some degree, work grows with the expansion of the workforce; 1,200 people keep as busy as 600 once

were. It would be worth considering setting a target for the size of the military and civilian overhead workforce based on the level of military and civilian personnel in this work before the wars in Iraq and Afghanistan. Variations on this “blunt instrument” could grow out of the function review recommended below.

For uniformed military personnel, overall reductions in end strength should give priority attention to work in overhead categories, rather than applying proportional reductions to combat and combat support forces. Reductions over time in the civil service workforce should parallel reductions in the military overhead workforce. It is entirely consistent with prior drawdowns for the Pentagon’s civil service to shrink. Policy tools such as buy-outs and retention bonuses should be renewed and used in a planned way, as they were in the drawdown of the 1990s.²⁵

There is an urgent and compelling need to reduce the number of contractor employees working at DoD. An accurate inventory alone would be a substantial step forward. Where are they? What work are they doing? How much is this workforce costing DoD, and how much could be saved by reducing its size? The advantage of focusing on the contractor workforce is the ease with which it can be reduced relative to the more painstaking process of reducing active duty forces and civil servants.²⁶

Third, in addition to across-the-board overhead personnel reductions, the Pentagon needs greater transparency with respect to the functions being performed in the back office. The goal of overhead reductions should not be do more with less, but do less with less. The Pentagon could inventory the functions being performed in the overhead and create a hierarchy of these functions, much as the services do with procurement programs in a classic budget drill. Which functions are absolutely essential? Which are lower priority and could be eliminated, such as a good part of the commissary system, for example? Which are duplicative with functions performed in the other services—legislative liaison, legal, surgeons general, contract management, for example—allowing consolidation and reduction in force?

For the military, such prioritization should not lead to decisions to turn the functions over to civilians or contractors but to their elimination. Demanding prioritization would both yield greater transparency and establish potential targets for force and budget reductions. The advantage of this approach would be to rebalance the force in the direction of the “point of the spear.”²⁷

Fourth, these inventories, force reductions, and functional eliminations and consolidations cannot and will not be executed by the services left to their own devices. They will require central attention and long-term follow-up. There is simply

no substitute for the message that the secretary and the deputy secretary cares strongly about achieving overhead savings. Both offices need to make this objective a priority, following up with regular reporting and oversight meetings.

This high-level attention would be strongly reinforced by the creation of a “tiger team” reporting to the secretary and the deputy, charged with responsibility for identifying potential targets for force reduction and function change. This team should be composed of individuals who not only have deep management knowledge and experience, but also know and understand the Defense Department. The team should have real authority, provided by the secretary, to reach down into the services for follow-up and adequate funding over several years to create a small core staff to provide them with studies and investigations.

Acquisition Reform: Bearding the Lion

Second to the back office, the persistent growth in hardware program costs has been the bane of the department for decades. GAO’s evaluations of the Pentagon’s Selected Acquisition Reports on hardware have consistently documented three persistent features of program acquisition: Most DoD major procurements exceed their initial cost estimates, often by significant amounts; programs take an increasingly long time to reach operational deployment and are more expensive to maintain than originally projected; and weapons systems regularly fail to meet the performance expectations initially projected.²⁸

The result of these persistent trends is that the services regularly struggle with the challenge of fitting projected weapons programs and defense systems into available budget resources. When resources do not match the rising costs and planned number for a major program, there have generally been two responses: stretch out the acquisition plan so it appears affordable over a longer period of time and/or shrink the numbers of the system to be acquired.²⁹

Acquisition process reform and cost control have been the holy grail of secretaries of defense, deputy secretaries, and under secretaries for acquisition for years. As a result, since the 1960s, DoD has cycled through reform efforts, ranging from Total Package Procurement to prototyping (“fly before buy”) to multiyear procurement to changing dominant contract types (cost plus, incentive fee, fixed price) to greater competition to “spiral development,” among many others.

Despite some acquisition success stories (the F-16, for example), a seemingly endless stream of reports comes to the conclusion reached by the 2010 review panel examining Army procurement:

Army acquisition has proved ineffective and inefficient, as demonstrated by the 22 major acquisition programs terminated since the end of the Cold War. In an attempt not to repeat past failures, additional processes, steps and tasks have been imposed. While well-intentioned, collectively these modifications are counterproductive. ... Even with this laborious process, new weapons systems continue to enter engineering and manufacturing development prematurely, with technological risk, leaving a legacy of program cost overruns, reduced quantities fielded, and terminations.³⁰

Two key caveats need to be made to this overall critique of the acquisition system. First, while the system is seriously flawed, it has nonetheless produced first-rate equipment, arming the American military at a technology level that far surpasses any other country (but, of course, at greater cost and in smaller numbers than anticipated).³¹

Second, even programs that have troubled technology development, cost more than initial estimates, and arrive well beyond the original schedule prove over their lifetime to be sturdy workhorses for the military. The Bradley fighting vehicle, Apache helicopter, and F-18 come to mind (perhaps even the V-22 and, downstream, the F-35). It is not a matter of failing to produce good technology for the warfighter, but rather a question of why the services, on average, produce it in such an inefficient, slow, and expensive way and in numbers smaller than projected.

The 2013 Kendall report on the acquisition system provides some clues to the answer. The report documents the persistent problems with cost, performance, and schedule, noting that nearly a third of the Major Defense Acquisition Programs since 1995 have “breached” the Nunn-McCurdy thresholds, which require reporting the issue to Congress.³² However, it rules out some frequently cited sources for such outcomes. Contract type, for example, does not appear to be the source of problems in weapons development and early procurement. Differences among the services also do not seem to be a major source of the problem, while the Army appears to have a greater acquisition problem than the others. Air Force fighters overrun their projected costs, and the Space-Based Infrared Radar program seems to be a poster child for technology, schedule, and cost problems. The critical problems in the acquisition system, according to the report, appear to be “poor management performance”

(more than half of the cases of growth in the development stage) and “work content growth” and “poor cost estimates” in the early procurement stage.

DoD is engaged in another serious effort to address the flaws in the acquisition system: Better Buying Power 2.0.³³ This initiative rightly sees affordability as the priority that should drive the acquisition process (a change from a historic bias toward pushing the edge of technology). And it argues for a “should cost” approach, which is also sensible. Like past reform efforts, it also calls for closer ties between the acquisition bureaucracies and the service bureaucracies that define the requirements for their systems, greater competition, and professionalizing the acquisition workforce. These are all worthy, but not new, efforts at reform, a truly Sisyphean labor.

The Kendall report and the Better Buying Power 2.0 efforts, however, do not articulate the source of poor management performance, work content growth, and poor cost estimates. It does not answer the questions of why program management has problems and why work content is added later as the contract grows. The key to explaining the outcomes DoD has fully documented lie in the problem of “incentives.” The incentives in the acquisition system militate against accurate pricing and adequate cost estimating. They contribute to adding work later and changing the contract.³⁴ The problem is rooted in the mismatch between acquisition appetites and the realities of budgetary constraints.

For the contractor, historical experience of the costs and uncertainties of new technology suggest that the programs on which they are bidding are likely to cost more than the bid they are making. But a bid at a realistic cost projection, reflecting historical experience, could be a bid that fails. This incentive leads to a triumph of hope over experience: Bid what one hopes is a reasonable, if optimistic, projection for cost, schedule, and performance, knowing that the laws of history are against you.

For the services, the incentive is similar. History suggests most major acquisition programs will be bought in smaller amounts and over a longer period of time (with higher unit costs, as a result). It also suggests the initial cost estimate will be over-optimistic. Fitting all the desired (“required”) programs into the budget can lead to one of two outcomes: a budget projection that is well above the POM guidance, or program cost projections that are optimistic but fit within likely budget resources.

As with overhead savings, there is no “magic wand” that will overcome this fundamental problem of incentives. An “arsenal” approach to acquisition—one systematically rejected over the last 100 years of defense experience—could solve the first problem, only to exacerbate the second. Privatizing acquisition management, as the U.K. is now considering, could relieve the second, only to exacerbate the first.

We can be virtually certain, however, that acquisition budgets are declining over the next decade, while programs will continue to be developed and procured.³⁵ If the incentives are a problem to be managed (as opposed to a problem that can be solved through reforms), is it wise, as Better Buying Power 2.0 proposes, to “reduce the frequency of OSD level reviews”?

Possibly the most important tool for managing this problem of incentives in the acquisition system is senior-level attention to the programs and a senior-level, independent capability, based in the Cost Assessment and Program Evaluation office or elsewhere, to question the cost, schedule, technology, and budgetary affordability of major defense programs.³⁶ Moreover, the personal, consistent attention to a program by a senior policy official—under secretary or deputy—was sometimes a key factor in controlling for the problem of incentives and cost/budgetary optimism.³⁷ There may be an important role for the senior DoD leadership to select and track a subset of major acquisition programs and provide regular scrutiny with independent input.

There is one other important consideration related to controlling acquisition budgets and costs. Far too little attention is paid in DoD’s reform efforts to the 60 percent of investment funding that buys non-Major Defense Acquisition Programs (MDAPs)—the rest of DoD’s technology and equipment.³⁸ Often, budget reductions are taken in this area of acquisition spending through cancellation or major reductions in the buy, often driven, as is appropriate, by shrinking force size. However, these programs do not receive the same scrutiny or visibility given MDAPs. A systematic review of these programs—the ammunition, transportation equipment, etc.—by the acquisition leadership could identify opportunities to control the contracting process and accommodate lower overall acquisition budgets.

Solving the Political Riddle

In reality, neither the back office nor the acquisition problems can be resolved at the technical or managerial level alone. These efforts require strong leadership and a dedicated, knowledgeable, professional staff that is working with the secretary’s office. Even then, both back office and acquisition reform have historically foundered on the deeply rooted political shoals of defense planning and budgeting. Like Captain Renault, we are “shocked” to find there is politics going on.

Every element of the defense budget is embedded in the politics of defense, whether it is the relationship of the contracting community to the services and the members of Congress, the local politics of defense infrastructure, the deep cultures

and bureaucratic equities of the services, or the desires of presidents to create a legacy or avoid a political weakness.

These are political realities, intertwined with the technicalities of hardware; the logic of strategy, tactics, and operations; and the course of technology. Politics is the reason so many reform efforts flounder and fail. Politics is the primary reason “peanut butter” is preferred over sensible planning for a drawdown. Politics influences communications with Congress that reject the very flexibility that might make sequester survivable.

Politics is the Voldemort of this discussion—the thing that too often is not named or, if it is, is named as the obstacle to any reform. Politics is at the heart of the matter. One cannot will it away, nor conceal its presence behind a debate over strategy, mission, management, or technology, all of which play their own roles in defense decision-making.

If we cannot make politics go away, what are the chances for the reforms under discussion? Will acquisition incentives never change? Will the services protect their infrastructure against all odds, even in a drawdown?

This is a discussion worth having, openly. How does one make the politics of a drawdown work so reasonable planning is possible? The strongest incentive for overcoming the political barrier is the drawdown itself and the impact of internal pressures on the ability of DoD leadership—civilian and military—to provide the forces and technology the nation requires.

The core capabilities that need to be preserved in a drawdown are an appropriately sized force structure and a modernization/equipping program that provides it with the tools it needs. Everything else is fungible, and no member of Congress, no service chief, no senior policymaker will want to be the person responsible for making the point of the spear both unstaffed and dull. If there is a constituency to be built around the drawdown, this is the key incentive. It is not clear it is incentive enough to overcome the entropy of the political process, but that is a discussion worth pursuing.

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consults regularly and appears frequently in the media on defense and foreign policy resource and planning issues. He also writes a regular column and blog (The Sheathed Sword) for *Foreign Policy* online. In addition, he is a stage actor and Membership Candidate in Actors' Equity and has appeared onstage as Polonius in *Hamlet* and Hamm in Samuel Beckett's *Endgame*, among other roles. He received a B.A. in Political Science from Stanford University (1963) and a M.A. and Ph.D. in Political Science from Columbia University (1970). He was also a Fulbright Fellow at the College of Europe in Bruges, Belgium.

¹ This argument was made most vigorously over the past year by the House Armed Services Committee majority and earlier by the Independent Panel that reviewed the last Quadrennial Defense Review (Perry-Hadley).

² This argument was made during the 2012 election campaign by the "Defending Defense" organizations and the Aerospace Industries Association.

³ This was the argument made principally by then-Secretary of Defense Leon Panetta, but it has been echoed by the current Pentagon leadership.

⁴ Much of the recent discussion of the impact of the budget sequester in FY 2013 focused on this sentiment.

⁵ For all of Secretary Hagel's willingness to confront resource realities, his July 11, 2013, letter to Senators Levin and Inhofe tends to reflect more bargaining than acceptance.

⁶ The Defense Drawdown Working Group at the Center for Strategic and International Studies (CSIS), in which I participated, arrived at a similar conclusion. See Clark Murdock, *Planning for a Deep Defense Drawdown, Part I: A Proposed Methodological Approach*, Washington, DC: CSIS, May 2012, p. 11.

⁷ This would be consistent with the drawdown from FY 1985 to FY 1998.

⁸ Secretary of Defense Chuck Hagel singled out these same three cost centers in his National Defense University address on April 3, 2013.

⁹ This paper does not deal with strategy, roles and missions, or current military commitments, but a chunky peanut butter approach to the drawdown will almost certainly call into question current strategy and military planning.

¹⁰ Center for Strategic and International Studies, Affordable Military Working Group, "First Meeting – Introductory Meeting," PPT Briefing, April 23, 2013, Table 10, quoting Todd Harrison, Center for Strategic and Budgetary Assessments.

¹¹ Clark Murdock, "Preparing for a Deep Defense Drawdown: The Defense Drawdown Working Group (DDWG) and the 'Cost-Capped' Methodology," Center for Strategic and International Studies, October 12, 2012, p. 3. This would bring overall military end strength below 1 million. It would remain significantly larger and could be more capable than any other military, but current missions, deployments, and rotations would need to be adjusted. As discussed below, shortening the military "tail" relative to the "tooth" could compensate for this reduction in end strength.

¹² A smaller force, properly tailored and equipped, is definable without serious impact on the global U.S. military capability. But to get there will require dealing with these management challenges. See Stimson Center, *Strategic Agility: Strong National Defense for Today's Global and Fiscal Realities*, Washington, DC: September 2013.

- ¹³ Defense Business Board, *Reducing Overhead and Improving Business Operations: Initial Observations*, Washington, DC: Department of Defense, July 22, 2010. A 2010 McKinsey study that compared 29 militaries observed that the United States had the highest ratio of defense “tail” to defense “tooth” of all but Switzerland. Scott Gebicke and Samuel Magid, “Lessons From Around the World: Benchmarking Performance in Defense,” McKinsey On Government, Spring 2010, pp.1-10.
- ¹⁴ The Secretary’s recent proposal to reduce OSD and Joint Staff by 20 percent over the FY 2015-20 time frame makes a symbolically important but fiscally small contribution to the back office problem.
- ¹⁵ See Mackenzie Eaglen, *Shrinking Bureaucracy, Overhead, and Infrastructure*, Washington, DC: American Enterprise Institute, March 2013, for documentation.
- ¹⁶ Jim Garamone, “Defense Contractors Will Share Burdens of Furloughs, Hagel Says,” American Forces Press Service, June 11, 2013, and Kedar Pavgi, “Has sequestration Hit Defense Contractors Hard Enough?” *Government Executive*, June 11, 2013, www.govexec.com/defense/2013/06/has-sequestration-hit-defense-contractors-hard-enough/64670/.
- ¹⁷ Defense Business Board, above, July 22, 2010.
- ¹⁸ This observation, using virtually the same language, was made in CBO, *Paying for Military Readiness and Upkeep: Trends in Operation and Maintenance Spending*, September 1997, and in the letter report quoted above, CBO, “Linking the Readiness of the Armed Forces to DoD’s Operation and Maintenance Spending,” Letter from Douglas Elmendorf to Harold Rogers and Norman D. Dicks, April 25, 2011. The problem stems both from the difficulties defining readiness in the services and the absence of clear data linking spending in the O&M accounts to that readiness.
- ¹⁹ DoD classifies its O&M request as “operating forces, mobilization, training and recruiting, and administration and servicewide activities,” which makes the analysis somewhat more difficult.
- ²⁰ Secretary Hagel, in his recent letter to Senators Levin and Inhofe, does not make this distinction. Instead, he expresses concern about sequester cuts in the area of operations and maintenance, “which finances much of the cost of training and readiness, both of which have already been severely affected by the FY 2013 sequester.” He tells the senators that an FY 2014 sequester would be harmful, as more rather than less O&M funding will be needed to make up for this year’s cuts.
- ²¹ OUSD Personnel and Readiness, *Defense Manpower Requirement Report, Fiscal Year 2012*, p. 15, cited in Eaglen.
- ²² Arnold Punaro, who led the Defense Business Board task force on DoD overhead said “you have to go to war every day to make progress reducing overhead.” Defense Business Board, “Briefing by Arnold Punaro on Reducing Overhead and Improving DoD’s Business Operations,” Quarterly Meeting, Public Session, July 22, 2010, dbb.defense.gov/pdf/Arnold%27sScriptAsDeliveredat07-22BoardMeeting.pdf.
- ²³ The July 11, 2013, letter from Secretary Hagel does not reiterate his NDU commitment to scrutinizing DoD overhead as a major target of budgetary and planning review, but the Joint Staff and OSD cuts are the only announced detail.
- ²⁴ As Mackenzie Eaglen put it: “the three-million-large DoD workforce cannot be rightsized without first identifying the appropriate mix of military forces relative to contractors and DoD civilians.” Above, p. 8.
- ²⁵ The Defense Business Board proposed shrinking the civil service force to 650,000, a reduction of roughly 20 percent. The Stimson report, above, proposed reducing civilian employees by 58,000 in 2015, less steep than the 69,000 reduction in 1993.

²⁶ Secretary Gates proposed a more blunt approach to the contractor part of the workforce: Reduce the funding spent on such activities by a specified amount every year.

²⁷ The Stimson Report referenced above proposes reducing headquarters by 20 percent (much as proposed by Secretary Hagel in the SCMR), reducing defense agencies funding, replacing some central training with on-site training, eliminating nonmilitary positions, reducing civilian employees, and a reducing contractor employees by 20 percent, for a total FY 2015 savings of \$15.5 billion.

²⁸ Most of these trends were cited in the first report on the performance of the DoD acquisition system, issued by the Defense Department this year: Department of Defense, Office of the Undersecretary of Defense, Acquisition, Technology, and Logistics, *Performance of the Defense Acquisition System, 2013*, Washington, DC, 2013.

²⁹ This was the approach, for example, to the B-2 bomber and F-22 programs, both of which were acquired in significantly smaller numbers than initially projected. It is slowly proving to be the case for the F-35.

³⁰ Department of the Army, *Final Report of the 2010 Army Acquisition Review* (Gilbert Decker and Louis Wagner Panel), Washington, DC: 2011, www.rdecom.army.mil/EDCG%20Telecoms/Final%20Report_Army%20Acq%20Review.pdf.

³¹ With my colleague, the late Guy Ben-Ari, I examined the technology gap separating the U.S. military from its European allies in the area of C4ISR alone. Even though European C4ISR capabilities are better than sometimes described, technological inventiveness and ample resources, combined, have created a major gap in this critical arena of military performance. See Gordon Adams and Guy Ben-Ari, *Transforming European Militaries: Coalition Operations and the Technology Gap*, London: Routledge, 2006.

³² Kendall Report, p. 20. The Nunn-McCurdy requires a report to Congress of a significant or critical cost breach, with “significant” being 30 percent above the original cost estimate or 15 percent above the estimate provided in the previous year’s Selected Acquisition Report; “critical” is a 50 percent breach from the original or 25 percent above the prior year.

³³ See the description of BBP 2.0 at www.acq.osd.mil/docs/USD%28ATL%29%20Signed%20Memo%20to%20Workforce%20BBP%202%200%20%2813%20Nov%2012%29%20with%20attachments.pdf.

³⁴ Clearly, uncertainty and technological surprise also contribute, as do service decisions to add requirements as a system develops. Both of these push the costs of the system past the frontier of available or projected resources.

³⁵ Secretary Hagel warned in his July 11 letter that FY 2014 budget reductions at the sequester level could lead to 15-20 percent reductions in DoD’s investment funding in that year. Reductions of that kind are not without precedent. In the four years after peak investment spending at the end of the Korean War, DoD procurement budgets in current dollars (the right comparison, because he is talking about real, annual dollars) fell 77 percent over three years, an average of nearly 26 percent a year. After the Vietnam War, it fell 33 percent, or an average of 11 percent per year. After the end of the Cold War, going out four years to capture most of the decline, it fell nearly 46 percent, an annual average of 11 percent.

³⁶ In my experience, PA&E cost estimates, while still somewhat optimistic, frequently came closer to historical norms than service estimates.

³⁷ David Packard, as deputy secretary, was quite effective at this kind of intervention.

³⁸ The Kendall acquisition system report deals only with MDAPs.

“Some observers might argue that the country should spend more, not less, on intelligence to compensate for the loss of forward presence as U.S. forces redeploy home. But the fact of the matter is we should stop resourcing intelligence as if important information were hard to get, and we should redirect some of that savings to the stewardship of our international political and economic institutions, where, together with our partners, we must invest for the long haul.”

—JANE HOLL LUTE

Reimagining U.S. National Security

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Introduction

What lies at the heart of America's national security? What does it take to ensure that the United States never suffers a major attack again on its soil, confronts significant threats to its vital interests, or falls prey to the dangers that have led to economic chaos, violent social upheaval, or even in some countries, to an abiding national *insecurity*? Going forward, what will underwrite the integrity of the safeguards that have kept this country safe and enabled its extended run of global political, economic, and military dominance?

Among many mainstream foreign policy experts, a view prevails that U.S. national security investments over the past half-century have largely paid off. The Soviet Union has disappeared; our Asian and trans-Atlantic partnerships remain strong; bin Laden's Al Qaeda is but an echo; and U.S. vital interests around the world are free of open peril. But can the United States continue to afford the strategies that have secured its global standing? In the wake of the Iraq war, and as the U.S. military presence in Afghanistan draws down, must the United States continue to spend more than a half a trillion dollars on military defense and more than \$70 billion on intelligence? What do more than 10 years of experience with homeland security suggest for new approaches to U.S. national security? Is it time to rebalance this portfolio, and if so, what considerations should drive a new set of policy and spending priorities?

This paper considers these questions and introduces two rather unconventional factors that may be reducing the strategic relevance of geography and transforming the power of geopolitics as we know it. Indeed, these factors, especially when viewed together, seem to confront nothing less than the fundamental role of government in our lives, and the implications for national security may be profound.

* The author would like to thank several anonymous reviewers for their helpful observations. The national security framework, discussed below, has been presented previously by the author at various forums.

The first of these factors is a challenge of growth and the second a challenge of decay. The challenge of growth refers to the worldwide cyber awakening that is accompanying the ongoing organic and nearly instantaneous expansion of the Internet. The challenge of decay refers to the near complete lack of public trust and faith in modern public institutions and the sorry light in which people around the world view nearly every political, economic, and other institution of government and society responsible for delivering the essential conditions of security, well-being, and justice for citizens.

Following this analysis, the paper offers a framework for investing in U.S. national security priorities for the coming decade. It concludes with a modest proposal for reordering these priorities and some suggestions for paying the bill.

Foundations of U.S. National Security

First, the obvious: America's national security surely rests, in part, on its advanced nuclear arsenal, its unmatched military power, and its superior intelligence capability. It also derives from economic strength and its deeply consequential status among the world's wealthiest and most stable economies. Indeed, some small part of U.S. security can, with a straight face, be attributed to the reliance that others around the world place on Americans' indispensable consumerism.

Looking globally, the United States derives important strategic value from the power of its friends, its key international partnerships, as well as the absence of a determined military opponent or openly hostile competitor on issues vital to American security. Moreover, benefits accrue to the United States from broad global observance of the rule of law—something that every U.S. president over the last 100 years or more has worked to promote.

Perhaps most fundamentally, the country's national security is linked to the solidarity of the American people who, as we saw in the wake of the attacks on 9/11, can be counted on to keep faith with one another and to rally in support and defense of America's core democratic values. U.S. national security has its headwaters in the American national character and in the commitment of its people to the deepest principles that animate American domestic and international political life. And it rests, too, on the enduring attraction of this country, where so many of the world's people still aspire to live and work. In other words, when it comes to our national security, there is still a role for the American "brand."

The national security of the United States, thus, does not consist solely in its military strength, but also in its economic power, its global circle of friends, the fibre of its national character, and its still considerable cultural caché.

The Threat Landscape: What's New?

So just what are we securing ourselves against? Following the crippling of Al Qaeda and the unwinding of wars in Iraq and Afghanistan, how should the United States rank the top issues on the national security worry list? Should we continue to view terrorism as the gravest danger to our shores? The U.S. can ill afford to ignore the potential for the nuclear holdings of some states to reach terrorist hands, but the fact remains that Al Qaeda and other terrorist groups are now far less capable of mounting a major challenge to the United States or the West. So while countering terrorists is still a necessity, counterterrorism may no longer serve well as the principal lens through which to view U.S. national security priorities.

Other threats do present themselves, however—for example, the proliferation of ballistic missile capability in states such as North Korea or the uncertainty surrounding the nuclear intentions of Iran. Equally, the security of the world's most rapidly expanding nuclear arsenal in Pakistan—located in one of the world's most difficult neighborhoods—is cause for major concern. So, too, is cascading instability in the Middle East, the disturbing effects of deepening economic woes in Europe, the expansion of global organized crime, cyber-tense relations with a rising China, and the growing dangers posed by a wide array of cyber malefactors who know that, as impressive as U.S. strategic cyber defenses may be, American networks and systems are not yet particularly well-protected.

Every era has had its chronicle of geostrategic ills, and little of the foregoing feels genuinely new—except, perhaps, for the threats posed in cyberspace. But beyond such threats, a far greater challenge looms for the United States—indeed, for all governments—in the cyber age: the challenge to understand and harness the implications and power of a global cyber awakening that is unleashing a populist conviction that the current order everywhere needs to be changed. Moreover, this challenge becomes more difficult to manage when entwined with the vexing problem of how to restore trust and confidence in public institutions at a time when there seems to be a near-universal view that all of the major institutions of public life are no longer up to the tasks for which they were created or deserving of the trust and confidence in which they have been held. The following discussion considers each of these challenges in turn.

The Cyber Awakening

Roughly 100 new connections to the Internet are made every minute, expanding an ecosystem in which billions of users—human and machine—are engaged in trillions of transactions every day, a phenomenon of scale and speed more suited to scientists than policymakers. Nearly 80 percent of the population of North America, 70 percent in Australia and Oceania, 65 percent in Europe, and nearly 45 percent in Central and South America can access cyberspace. In fact, the Internet's penetration of the global population is almost 35 percent. Eric Schmidt and Jared Cohen of Google predict that the population of the entire planet will be online by 2020—only a cyber dog's year away.

More than 1 billion people in the world have joined Facebook in less than 10 years since it was founded in 2004, and Yahoo!'s user numbers are not far behind. Only the populations of two countries—China and India—can claim those numbers, and neither state knows its citizens at the level of detail that these Internet companies know their users. Very simply, it is the power to connect, not the power to protect, that matters in cyberspace.

Thus, states have yet to establish a clear value proposition for themselves in this realm, in truth because they do not—by a long shot—have a monopoly on the power here that matters. The major cyber powers in the world today are not governments, but rather tech giants—Google, Microsoft, Twitter, Facebook, Yahoo!, Apple, Hua Wei, and others. Of course there are states with important and significant cyber capacity—the United States chief among them. But states in general have no corner on the cyber power market or, consequently, on the power to set the rules. In this respect, international order in the physical world has no parallel in cyberspace.

Operating with the speed of light and relative ease across geographic, cultural, social, economic, and generational divides, cyberspace has brought the empowering combination of information and connection to billions of people. For a global population that is already healthier, wealthier, more educated, aware, and mobile than any in history, the implications of this empowerment can hardly be overstated. What's more, people increasingly understand what's happening and, broadly speaking, they like it and want more. Three observations of this worldwide cyber awakening are worth noting.

First, while we have come to learn a lot about people as they access the Internet, our understanding of them is almost entirely as consumers, not as citizens. Governments, on the other hand, relate to their populations principally as citizens first. This

disconnect between engaging people as consumers and engaging them as citizens may help explain some of the latency in governments playing a more meaningful role in cyberspace, and nowhere is this latency more vivid than in cybersecurity.

In general, security is something societies typically assign to their governments (make the laws, run the police, employ the military, etc.), however, no such assignment has been given to governments when it comes to security in cyberspace. In fact, large portions of the world's population are extremely leery or even openly opposed to governments taking on such a role, not least because in many parts of the world, government security institutions have not proven very reassuring in establishing control and maintaining a just order. In the wake of the Snowden leak, public debate in Europe and the United States has swirled around the government's role in ensuring privacy, civil rights, and civil liberties in cyberspace.

Whatever the source of unease, very likely the familiar security role that governments play in the physical world will not translate simply into cyberspace. On the other hand, governments can no longer simply sit on the sidelines; the potential for truly dangerous things to happen is too great.

One problem inhibiting a more effective role for governments in cyberspace may be that they simply cannot agree on what role they should play—either because they lack the relevant power or because they lack a common strategic framework to organize the way they think about what's happening in cyberspace. In consequence, no two governments are approaching the Internet or cybersecurity in exactly the same way, and hardly any of the international institutions that might help states organize their thinking or shape collective efforts have been given any latitude to do so.

Second, when it comes to cyberspace, it's particularly unfortunate that the only thing moving more slowly than the speed of governments is the speed of law. The real strength of the law lies in its ability to anticipate the familiar and rationalize the unprecedented. However, in almost every dimension of the cyber experience—from data to property to exchange to value to rights—while lots feels like it ought to be familiar, lots more is really brand new. The law is not keeping up, and, consequently, power and practice are filling the void. Thus, when governments finally do get fully in the game, their burden will not be to fill an empty space, but rather to displace those actors and processes that are already filling the space—a much harder task. The Internet jinni is out of the bottle, and there's no going back.

Third, commercial and other nonstate actors have become powerful in cyberspace while many states have themselves remained weak. This is not simply because these

companies and actors have had first-move advantages, but rather because they have a better understanding of power in this space. They are also better at reading the dynamically evolving social landscape wrought by the public's interaction with technology and information, and that understanding has allowed them to harness the wealth and magic in data liquidity. Governments won't catch up if they can't catch on—but the institutions societies rely on to make sense of a demanding, complex world are proving, to many, disappointingly unworthy of continued reliance for this and many other tasks.

Confronting Institutional Decline

The past half-dozen years have seen a steady rise in public frustration and anger across the globe. Everywhere citizens are taking to the streets, airwaves, and Internet, angry at their governments and at the circumstances in which they find themselves. Large-scale public demonstrations have taken place in the transitioning capitals of the Middle East, but also across Europe, in South America, and in several major Asian cities. Even the United States is not immune, with urban demonstrations mounted by the loosely organized Occupy movement that claims to represent the 99 percent of the American population who lack either the power to change the status quo or the wealth to avoid it.

While the particular issues animating unrest across the globe may vary, this equal opportunity anger is widespread. People don't seem to trust any of the institutions that have come to anchor modern life—the markets, the media, the banks, or business. They are skeptical of the medical profession, distrustful of the legal profession, and wary of law enforcement. They question the soundness of the dollar, the euro, and the yen, and in many cases, they lack trust in their own governments, religious institutions, and even cultural icons. In the United States alone, it seems that no institution has been immune—the Catholic Church, the Boy Scouts, Penn State University, and others—have all fallen, as it were, from grace. In addition, a seemingly endless parade of senior public officials (including military officers) have become embroiled in embarrassing scandals, and the public sector workforce is itself often derided as bloated, inefficient, and worse. Moreover, significant disconnects often exist between public mandates and money, responsibilities and resources; as a result, public institutions frequently fail to meet the public's expectations.

The popular anger does not appear to be purpose-driven; such anger can result in violent conflict. Instead, this anger seems rooted in a deep anxiety stemming from a

slowly dawning realization that our problem is not so much that people don't trust these institutions (they don't), but rather, that people no longer have confidence in a public ability to institutionalize trust. In other words, the political and economic infrastructure of governments and institutions around the world is starting to crack under the unrelenting pressure of widespread reliance combined with disappointed expectations. Everyone can sense the trouble our institutions are in, but few seem to know what to do about it.

Perhaps it was ever thus, and perhaps we are just nearing the end of a cycle that has played itself out many times before in history. But the stakes seem higher now. In 1945, there was only one state with nuclear weapons and only half a dozen or so weapons in existence. Today, there are eight times as many states with nuclear holdings that collectively number in the thousands, and the allure of this most dangerous technology remains. Sixty years ago, the world's population hovered around 2.5 billion. Today, it is more than 7 billion and rising. In 1950, the world's political club had 99 widely recognized sovereign countries wielding the considerable power of states; today, there are roughly twice that number. Against this complex global backdrop, the institutions that were designed to help us cope with manifold social, political, economic, and security challenges are now frayed and deeply doubted.

Implications for National Security

With the Internet exploding and faith in public institutions imploding, conventional views on security anchored in geography and interstate geopolitics may need to be rethought.

During the Cold War, the imperative to contain and defeat communism dominated U.S. national security policymaking and exercised an almost magnetic pull on resources. Vast amounts of dollars, manpower, and political equity went into maintaining a major force presence abroad, especially in Europe, and to counter Soviet activities around the world. Nearly every policymaker and expert agreed with the strategic shorthand that the Soviet threat was the most dangerous. The United States invested so heavily, in part, because it saw a clear enemy.

In a similar way, over the past decade or more, counterterrorism has also served to corral energies and resources. Billions have poured into intelligence and defense efforts to defeat terrorist organizations—with a particular focus on dismantling Al Qaeda and its affiliates. Here too, the shorthand known as the global war on terror dominated U.S. strategic thinking, policymaking, and spending. But does that

framework still work when thinking about how to organize our national security priorities, or has the time come to structure a different approach? What lessons have we learned from the contributions of homeland security and law enforcement to our national strategy to fight terror?

For many years following September 11, American counterterrorism strategy operated with a clear theory of the case: Terrorists were “out there” trying to “get here.” That is, terrorists based in various places around the globe were intent on reaching the United States to conduct direct attacks on American soil. To counter this threat, the United States invested heavily in efforts to “find and fix” terrorists abroad; that is, to locate and kill active terrorists where they lived, disrupt their operational plans where they were made, and dismantle their organizations where they sought refuge. The United States relied heavily on three principal tools in its successful efforts to identify, locate, and interdict Al Qaeda and groups associated with its terrorist agenda: intelligence, military operations, and its international partnerships with allies and others.

Over the course of time, however, it became clear that individuals sympathetic to radical Islamic causes and, in some cases, to Al Qaeda itself, were already located within the United States (and elsewhere in the West). These persons were often well established, had built up support networks, and had refined a reasonably sophisticated ability to operate. In short, the terrorists were not just “out there”; they were already here. And this fact limited the ways in which the tools of strategic intelligence, military operations, and alliance politics might be deployed and used.

To deal with these homegrown terrorists, policymakers learned that security at home required the use of other tools—especially homeland security protection and law enforcement operations, for example. Moreover, it became clear that the best approach to preventing successful attacks within the United States could not simply rely on the federal government, but rather demanded the engagement of the nation as a whole. Thus, state and local efforts in law enforcement and homeland security, as well as private sector capabilities in areas such as finance, transportation security, and infrastructure protection—even the vigilance of the public at large—have become vital.

In addition, two relatively new factors have aided domestic operations profoundly. The first is increasing home office and law enforcement cooperation and collaboration with governments and multinational corporations around the world; the second is the availability of—literally—terabytes of information regarding the global movement of people and goods made ever more accessible through constantly improving technology and applications.

Reimagining U.S. National Security

If the global war on terror is no longer the best way to organize and prioritize our national security efforts, what should be? Originally detailed elsewhere, the following framework offers one approach that takes account of the enduring needs of the United States. With a fresh look, this framework also offers a way to account for the cyber reality as it is unfolding, help to correct for the institutional decline described earlier, and incorporate some lessons from the past decade.

The framework for reimagining U.S. national security has four elements: a safe and secure homeland; a dynamic economic engine that can generate new wealth; strong friends and allies; and finally, predictable relations with others. A brief elaboration follows.

A safe and secure homeland for the United States consists of our ability to prevent another major terrorist attack on American soil, expedite legitimate trade and travel between the United States and the rest of the world, mobilize a deep reserve of national resilience to withstand and recover from the effects of large-scale disasters, and ensure the cybersecurity of the nation's critical infrastructure. A dynamic U.S. economic engine must be able to sustain the country's recovery from the recession; support the innovation necessary to reignite and compete in the global economy; and reassure, encourage, and develop new trading partners to contribute more to global economic growth.

Strong friends and allies are an indispensable source of strength to the United States, and here, too, institutions matter. Strong and healthy institutions such as the United Nations and NATO, as imperfect as they may be, contribute much to American national security, but they will not succeed in adapting to the changing world without constructive leadership by the United States. Finally, and as noted earlier, the rule of law is a powerful force for American national security and, with heavy aid from diplomacy, helps provide a framework of predictability within which governments—even unfriendly ones—can maneuver without provoking instability or violence. We must continue the American agenda of institutionalizing the rule of law—and cyberspace is the next frontier.

Again, one principal lesson from the homeland security experience of the past decade is that the federal government cannot manage these tasks alone. These complex undertakings demand the engagement of the entire national enterprise. This engagement, in turn, demands that we be clearer about the roles and responsibilities we will expect government—at every level—to assume, and what responsibilities

will fall to the private sector and even to the general public. We must shore up, even remake, our institutions to reflect these choices and to take fuller advantage of the power of cyberspace. Abroad, too, the United States can't just go it alone. As the United States assumes the mantle of leadership, particularly in confronting the challenges of the cyber awakening and institutional decay, it must lead in a way that brings others along, building the partnerships that will help shape the strategic opportunities for constructive collaborative action.

Resourcing the Future

While much of the existing allocation of national security resources might already fall within this framework, important adjustments are necessary to truly reflect a rebalance of priorities. To achieve this aim, modest resources from defense and intelligence might be redirected to political engagement and diplomacy, cybersecurity, and law enforcement with three main objectives: first, to strengthen American political presence abroad to provide sustained diplomatic and political reinforcement for our considerable global agenda; second, to dramatically scale up the quality and size of the civilian cybersecurity workforce in the U.S. public and private sectors to protect the highly distributed networks and systems on which this nation relies and establish a "proof of concept" for the role of government in ensuring the openness and security of the Internet; and third, to build out domestic and international law enforcement cooperation and collaboration to meet new challenges.

The United States does require a strong military to be sure, but the Nation's military budget dwarfs any other agency by, in some cases, a factor approaching 10. Reducing this difference to, say, a factor of nine or eight could free up needed resources for elsewhere. The reallocation exercise in the Department of Defense (DoD), well underway for some months now, principally aims to preserve U.S. military dominance through trained and ready forces with the ability to anticipate new threats and operate globally (including under nonpermissive conditions). This aim is vital, and resources should continue to support other important objectives, such as strengthening NATO and other allies providing necessary security and other assistance to key partners. But, we should look deeply at whether DoD must itself continue such activities or whether they might usefully be shifted to other agencies, such as the State Department and USAID, where long-standing political, diplomatic, and development agendas can sustain the necessary stewardship over time.

The United States also requires a state-of-the-art intelligence capability, but the current approach to national intelligence seems, in some respects, trapped in 1947, when information was hard to get and technology did not exist to help acquire and make sense of it. Today, neither of those things is true. Moreover, there seems to be a persistent bias in the intelligence culture that the more senior the originating source of information, the more valuable it is. With this bias, spending has been skewed toward developing systems at the uppermost end of sophistication. Yet, again, the Internet companies are succeeding where governments are not because they understand the importance of developments at the societal level, where information is readily available, reliable, and cheap.

Some observers might argue that the country should spend more, not less, on intelligence to compensate for the loss of forward presence as U.S. forces redeploy home. But the fact of the matter is we should stop resourcing intelligence as if important information were hard to get, and we should redirect some of that savings to the stewardship of our international political and economic institutions, where, together with our partners, we must invest for the long haul. And the United States should take the lead in demonstrating how governments can play a constructive role in the dawning cyber age by promoting the development of a world-class civilian cybersecurity workforce that can keep pace with the capabilities and innovation necessary to secure our identities and our information on the Internet.

Finally, we must strengthen the hand of U.S. law enforcement to keep up with global trends—especially the increasingly toxic combination of criminal networks, technology, wealth, and arms. In addition, in order to fully deploy the tools of law enforcement to help achieve greater security in cyberspace, we should strengthen law enforcement’s investigative and forensic capabilities for this purpose. We should do so, however, mindful that the federal government cannot do all here that needs doing. Similarly, all that needs doing can’t be done alone, and to strengthen the power of the law, the United States should redouble its efforts to expand and strengthen law enforcement cooperation and collaboration across the globe.

Conclusion

While the cyber awakening may signal the dawn of a new age, the fragile state of our institutions may be a sign that we are not, as yet, fully ready to take it on. To navigate the challenging waters that lie ahead, the United States must retool its

priorities and build on established strengths. It should forge new strategies to secure the homeland, fire up its economic engine, strengthen its friends, and institutionalize further the rule of law.

Above all, the United States should lead. The established order has not yet run its course, but it seems to need an awakening of its own. Further, the United States should work to channel the emerging sources of political and economic energy to recognize not only the opportunities borne in cyberspace, but also the responsibilities. With its experience in charting new paths and decades of global leadership, the United States has the vision for this moment. Having risen itself from the will of the people, it also has the strength. The future national security of the United States will depend on both.

Jane Holl Lute most recently served as Deputy Secretary for the Department of Homeland Security (DHS). As the Department's chief operating officer, Dr. Lute was responsible for the day-to-day management of the Department's efforts to prevent terrorism and enhance security, secure and manage the nation's borders, administer and enforce U.S. immigration laws, strengthen national resilience in the face of disasters, and ensure the nation's cybersecurity. From 2003-2009 she served as Assistant Secretary-General of the United Nations (UN) responsible for comprehensive on-the-ground support to UN peace operations worldwide, including rapid-response efforts in support of development and humanitarian operations and crises. She also served as Assistant Secretary-General for Peacebuilding, responsible for coordinating efforts on behalf of the Secretary General to build sustainable peace in countries emerging from violent conflict. Prior to joining the UN, Dr. Lute was executive vice-president and chief operating officer of the United Nations Foundation and the Better World Fund and worked with David A. Hamburg, former president of the Carnegie Corporation of New York and Cyrus Vance, former U.S. Secretary of State, on the Carnegie Commission on Preventing Deadly Conflict, a global initiative that pioneered the cause of conflict prevention. She served on the National Security Council staff under both President George H.W. Bush and President William Jefferson Clinton and had a distinguished career in the United States Army, including service in the Gulf during Operation Desert Storm. She has a Ph.D. in political science from Stanford University and a J.D. from Georgetown University.

Part 4

EFFECTING CHANGE

CHAPTER 8

Getting Beyond Denial

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“The sequester could have provided leverage to curtail the power of special interests and move beyond the political posturing to reduce and reform defense spending. Instead, the White House and Congress wasted more than two years on denial and brinkmanship. They have to do better now.”

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Getting Beyond Denial

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The Pentagon got a two-year, partial reprieve with the December budget deal. The question now is whether the White House, Pentagon leaders and Congress will use that time to make politically difficult but essential reforms. Or will they continue with their denial-as-usual until the next budget crisis?

The deal provides some \$520 billion this year for national defense in the so-called base budget (separate from the cost of combat operations) and \$521 billion next year—\$22 billion dollars more than the full FY2014 sequester level and \$9 billion more than the FY2015 sequester level.¹ The deal also gives planners predictability, at least for this year and next. And Pentagon leaders will have more room to choose where to find savings, with Congress’s agreement, of course.

The deal doesn’t solve the Pentagon’s fundamental problems of spiraling personnel costs, a bloated “back office,” and acquisition programs that are routinely over budget and far behind schedule. The sequester could have provided leverage to curtail the power of special interests and move beyond the political posturing to make difficult reforms. Instead, the White House and Congress wasted two years on denial and brinkmanship. They have to do better now.

There are no secrets about what needs to happen and considerable bipartisan agreement—outside of official Washington—on how to proceed. In early June 2013, analysts from 10 ideologically very different think tanks—including the American Enterprise Institute, the Center for Strategic and Budgetary Assessments, the Center for a New American Security, the Cato Institute, and the Center for American Progress—sent an open letter to Secretary of Defense Chuck Hagel and congressional leaders urging them to reform military compensation, close excess military bases and reduce the size of the Department of Defense’s civilian workforce. “If these issues are not addressed” the letter warned, “they will gradually consume the defense budget from within.”²

Two weeks later, the House approved a defense authorization bill for FY 2014 that barred most of those reforms and ignored the likelihood of another round of sequester cuts. The bill opposed even modest increases in health care fees and co-pays, gave the troops a 1.8 percent pay raise (the Pentagon wanted 1 percent), and prohibited the Pentagon “from proposing, planning or initiating” another round of base closings.³

The White House immediately vowed to veto the bill. That threat might have been more compelling if the President’s own FY 2014 request was not also grounded in denial. While the administration’s budget called for some modest personnel reforms, it too was \$52 billion over the sequester level. The previous year, as part of the White House’s budget brinkmanship, the Pentagon also refused to plan for the near certainty of sequester cuts and had to scramble to find \$37 billion in savings by September 30.

At a time when the United States is trying to move beyond two hugely costly and unpopular wars and is struggling to address its fiscal problems, there has been no serious discussion between Congress and the executive branch (and only the start of a discussion inside the administration) about the role the U.S. should play in the world, the nature of the threats it is confronting, how much risk it is willing to accept for the sake of savings, how to fix the Pentagon’s acquisition system, or the responsible ways to compensate the all-volunteer force. There is no discussion at all with American voters.

The sequester’s inflexibility—the Pentagon has had more room to maneuver than other departments, but not enough—made planning extremely hard. The sweeping reforms and restructuring that the Pentagon needs won’t deliver all of the billions on a year-to-year timetable. The same is true about backing out of over-priced, over-designed, and mismanaged weapons programs. The Pentagon now has some breathing room. But without stronger leadership from the White House, the Pentagon, and Congress the hard decisions will keep getting postponed while costs keep rising and budgets remain flat or decline.

Without a wider debate there is little chance of curtailing the power of special interests, rallying political support for painful but essential reforms, or overcoming the bureaucracy’s—uniformed and civilian—resistance to change.

What will it take to move toward a more rational reform process?

1. The president needs to shift the focus beyond the sequester.

President Obama welcomed the Murray-Ryan budget deal.⁴ Now he needs to make clear to Pentagon leaders that the days of blank check spending are truly over and the tough decisions can't be put off any longer. He can increase the pressure on Congress to accept essential reforms by focusing public attention on the country's strategic challenges and the Pentagon's internal fiscal crisis. Joseph Nye warns, "When there is strategic uncertainty, it leaves a lot more room for vested interests" to get their way. Former U.S. Senator Sam Nunn says that only a "strategy, not a budget" can overcome partisan interests and inertia.⁵

Americans are so accustomed to hearing that the U.S. should do more with more that it isn't easy for any politician to talk about limits or the need to accept some risk for the sake of savings. The president made a start in 2012 with the Defense Strategic Guidance.⁶ But since the sequester—as part of the White House's just-say-no strategy—he hasn't explained how he plans to adjust those priorities to meet an ever more challenging fiscal reality.

The Guidance promised a leaner and more agile fighting force; it described how the country will try to avoid long-term occupations and that "U.S. forces will no longer be sized to conduct large-scale, prolonged stability operations." It said the Pentagon would rely more on Special Forces and technology to fight terrorists and that large portions of dwindling resources will be devoted to ensuring that China cannot block American "access" and "power projection." We can debate those conclusions—I think there is more than a little wishful thinking about getting out of the ground war and stabilization business—but the Guidance entailed real decision-making and portended difficult trade-offs.

Todd Harrison of the Center for Strategic and Budgetary Assessments (CSBA) says that the Strategic Guidance lacked the specifics needed for pushing through change. "That probably made it easier to get a consensus" among the services, he says. "Without specifics, everyone can still claim whatever their pet project, it is vital to the strategy."

When it came to putting real budget numbers to the strategy there have been few of the gut-wrenching choices and "major changes in every category" that the president and his top advisers had promised. Both the 2013 and 2014 budget requests protected big price tag, big warfare weapons programs (including new nuclear attack subs, a new aircraft carrier, and three different versions of the F-35 Joint Strike Fighter that is 70 percent over its original budget and seven years behind schedule).

Soon after arriving at the Pentagon, Secretary Hagel ordered another look at the Guidance in light of the sequester. The White House and Pentagon declined to release detailed results. Among the potential spending cuts that were reportedly being considered (although how seriously is impossible to tell) were further deep cuts in Army end strength and a further reduction in the number of Marines. (With the end of the two wars, the Army had already planned to go to 490,000, slightly higher than pre-2001 levels; the Marines currently plan to go to 182,000.) There has also been some discussion of reducing the number of aircraft carriers and cancelling part of the Joint Strike Fighter program and reducing the Navy's purchase of Littoral Combat Ships. The service chiefs have pushed back against these ideas. The budget deal could make them even less willing to accept the need for real sacrifices.

Gordon Adams of American University and the Stimson Center says it's not clear whether these proposals are real or just the services trying to game the Hill "by offering up what they consider the most important things to make it look like mayhem is about to result."⁷ Mr. Adams believes "the services are still pretty much in hype land. But what is going to matter in the end is whether the secretary actually enforces the discipline."

Meanwhile, keeping the tough trade-offs hidden or hyped isn't going to persuade anyone of the need for serious reforms. President Obama has to lead on the issue.

2. The president must frame the debate on the Pentagon's entitlement, "back office," and acquisition problems.

These issues are complex and easily grandstanded. What politician wants to say that hardworking and even heroic people will have some of their benefits scaled back, or they will lose their jobs in the Pentagon or on the factory floor?

The budget deal does take one small step forward: it reduces the cost-of-living adjustment by a percentage point for working age (up to 62) military retirees. It will save \$6 billion over a decade. Sen. Lindsey Graham immediately declared that it "screws" military retirees; other Republican senators were less earthy but just as outraged. The cuts don't go into full effect until the end of 2015, and opponents are already vowing to roll them back.⁸

To get beyond politicians' grandstanding, the president needs to explain to voters that spiraling costs for entitlements, a bloated bureaucracy, and acquisitions mean there will be less cash to spend on training, modern weapons systems, and new strategic priorities.

The numbers are compelling. Mr. Harrison of CSBA says that costs per active duty service member—including health care, salary, housing, and pension set-asides—increased by 57 percent from 2001 to 2012. Spending on health care alone has doubled in real terms over the past decade to \$51 billion this year. (That number does not include the cost of battlefield care or treating wounded veterans.) About half of military retirees under age 65 now use Tricare: Their expenses are about a fifth of what they would pay with private insurance. That means the Pentagon is subsidizing private employers.

Until now, President Obama has left it to his three successive secretaries of defense to make the arguments for entitlement reforms, and they haven't gotten very far. To counter the lobbying from veterans groups, he will have to raise public awareness of the costs and trade-offs. And he will need the chiefs to back him up.

In the 2013 defense authorization, Congress set up an independent commission to review military compensation and retirement and recommend reforms.⁹ Congress has resisted a “fast track” BRAC-style vote on the panel's recommendations. That is not reassuring. Still, the commission can bring much needed attention to the problems and offer potential solutions that are both fair and fiscally sound. The report is due in May 2014.

Other numbers bolster the argument for reform: Since 2001 the Pentagon's civilian workforce has grown by 100,000, or 14 percent, to nearly 800,000 (not including contractors), while the number of men and women in uniform has only grown by 3 percent. Republicans on the Hill are unlikely to put up much of a fight to protect civil servants. But Democrats will fight to maintain last-in-first-out hiring rules that make downsizing harder. Michèle Flournoy says that when she served as undersecretary of defense for policy in the first Obama term, she wanted to pare the size of her own office, which had nearly 1,000 employees. But civil service requirements “meant I would have to lay off all those post-9/11 young, hungry, talented people, which I did not want to do.”¹⁰

The bloat is not just in the civilian bureaucracy. A 2010 study of the Pentagon's “back office” by the Defense Business Board estimated that 340,000 uniformed personnel were doing jobs that could be done by less expensive civil servants or contractors, or didn't need to be done at all.¹¹

Americans won't be surprised to hear that acquisition programs are riddled with inefficiencies and worse. But once again, the numbers can help open a wider debate and blunt some of the pushback from defense lobbyists. According to a 2011 report

from the Government Accountability Office (GAO), current weapons programs costs increased by 38 percent—\$402 billion over their original estimates. Promised delivery dates were pushed back by an average of 27 months.¹²

3. The secretary of defense needs to aggressively champion reform inside the Pentagon and on the Hill. (That means getting beyond just-say-no.)

Secretary Hagel started his new job saying all of the right things. In an April 2013 speech at the National Defense University (NDU), he warned that to adjust to the new fiscal reality, “we need to put everything on the table,” including weapons that are “vastly more expensive and technologically risky than what was promised or budgeted for,” the size of the force, a top-heavy bureaucracy, and entitlements.¹³

Just a week later, he raised doubts about his commitment to reform (or his ability to push through reforms) with the release of the less than ambitious 2014 budget request. To be fair, the budget was set by his predecessor, Leon Panetta, before Secretary Hagel walked into the building. But Secretary Hagel’s NDU speech might have had more impact if he had given it after the budget’s release.

Secretary Hagel missed another chance in early July, when he responded to a request from Senators Carl Levin and James Inhofe, the chairman and ranking member of the Armed Services Committee, to outline how another year of sequester cuts would affect the Pentagon. Secretary Hagel’s letter raised plenty of alarms about lost readiness and layoffs. But it was frustratingly lacking in specifics on priorities and trade-offs on missions, forces, or weapons programs. One unhelpful line declares: “We would be forced to buy fewer ships, planes, ground vehicles, satellites and other weapons.” There is also no pitch for major reforms of the military health or retirement systems or the bloated Pentagon back office.¹⁴

In mid-July Secretary Hagel again raised hopes that he was ready to press ahead with at least modest reforms. He announced that he was ordering a 20 percent cut in staff for his office, the Joint Staff, and military headquarters. The estimated reduction of between 3,000 and 5,000 jobs by 2019 is just a small down payment; 2019 is too far off.

Mr. Adams says the secretary needs “to zero in on the back office, including the service bureaucracies ... and make serious, long-term cuts all the way down. The secretary needs to focus on 10-20 acquisition programs and systematically impose cost controls and trade-offs or terminate the programs.” Throughout the sequester,

he adds, we have had “furloughs for civil servants, cancellation of training exercises, and stretch-outs of hardware plans but not a set of tough decisions that execute a real plan.”

Secretary Hagel welcomed the budget deal and vowed “to press ahead with our efforts to cut DOD’s overhead and infrastructure costs, ”improve the acquisition process and “continue to make the tough choices on force structure.”¹⁵ Words aren’t enough. He needs to come up with a full—and fully articulated—strategy for spending and reform. And he is going to have to argue the case a lot more forcefully, both inside the Pentagon and on Capitol Hill. He can’t win those fights by himself. President Obama will have to engage.

4. The service chiefs need to say what they absolutely need to implement the president’s Strategic Guidance and what they can reluctantly do without.

No one in Washington ever wants to go first. But such decisions are essential for a rational planning process, and their arguments will be harder to ignore on Capitol Hill.

In 2009, Defense Secretary Robert Gates said that the military needs to “shift away from the 99-percent exquisite service-centric platforms that are so costly and so complex that they take forever to build, and only then in very limited quantities.”¹⁶ There is little sign that anyone in the Pentagon is ready to give up the exquisite, 99 percent solution—not just for acquisitions, but also for planning and forces. Secretary Hagel is going to have to press this idea hard, privately and publicly.

5. Congress needs to move the debate beyond the sequester.

Ask nearly any senior White House or Pentagon official why they haven’t come up with more ambitious reforms and the stock response is that Congress won’t go along. There is a long list of players battling change, including many who voted for the Budget Control Act that set the stage for the sequester. Still, there may be a chance to build a coalition, or more to the point coalitions, for specific trade-offs and reforms. There will be winners and losers in many of these decisions. So far, this White House has eschewed that sort of retail politics.

Almost no one on the Hill is talking seriously about rolling back the original caps in the Budget Control Act.

What are needed are lawmakers willing to look beyond the partisan wrangling and frame a substantive debate. (One can’t help but yearn for the days of Senators

Sam Nunn and Richard Lugar.) Senator Nunn acknowledges that given Washington's current atmosphere that won't be easy. But he says Congress can, in theory, play an important role laying out the issues. When he began as chairman of the Armed Services Committee, as the Cold War was ending, he says he started with "six to eight weeks of hearings on strategy before anyone started talking about the budget."¹⁷

The president has to work a lot more closely with members of his own party on the Hill. But the White House also needs to identify potential allies in the GOP to help promote a substantive debate on strategy and reform.

Sen. Tom Coburn has taken a strong stand against Pentagon mismanagement. (In late 2012 he released a report, *Department of Everything*, outlining \$67.9 billion in savings over 10 years by doing away with "non-defense" spending, including Pentagon-run schools, grocery stores, and medical research.¹⁸) Senator John McCain toured the country warning of the dangers of the sequester—and will eagerly challenge most of the president's strategic vision—but he has long been an outspoken critic of Pentagon mismanagement. Senator McCain and the president could challenge fiscal hawks and critics of "big government"—including Senators Ted Cruz and Rand Paul, Tea Party favorites—to join in a serious discussion about defense reform.

Even if they can't agree with the White House, or each other, on a top-line budget number or a strategic vision, these lawmakers and several key Democrats should be able to agree on the need to set clearer priorities and the need to change the way the Pentagon does business.

I am not naive about the level of bitterness on all sides. President Obama's previous attempts to reach out to Republicans on the Hill have been rebuffed. But the stakes are too high, and he needs to try again.

There is no shortage of good ideas out there (a list of papers and reports is appended). Experts and former officials also need to ask themselves what more they can do to be heard above Washington's cacophony. Are op-eds, white papers, and conferences enough? Is there a "good-defense" lobbying campaign to be mounted to press the White House, Pentagon, and Congress to make tough decisions and embrace needed reform? Plenty of TV and newspaper ads will inveigh against change. Who might be willing to foot the bill for a good defense campaign?

The next Quadrennial Defense Review (QDR) is due in February. A congressionally mandated panel will provide advice and assess the finished report. (Former Defense Secretary William Perry and former U.S. Centcom Chief Gen. John Abizaid are the chairs and former Undersecretaries of Defense for Policy Michèle Flournoy and

Eric Edelman, and former Vice Chairman of the Joint Chiefs retired General James Cartwright are among the members.)

It is past time for President Obama and Secretary Hagel to look beyond the political jockeying and use the QDR and the FY 2015 budget to outline a detailed vision for an effective, modern military and the tradeoffs that will have to be made to get there. Then they have to challenge Congress to do what is needed to ensure the country's security—both fiscal and military.

A Short List of Interesting and Useful Studies

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Clark A. Murdock, Ryan Crotty, and Kelley Sayler, *The Defense Budget's Double Whammy: Drawing Down While Hollowing Out from Within*, Center for Strategic and International Studies, October 18, 2012, csis.org/publication/defense-budgets-double-whammy-drawing-down-while-hollowing-out-within.

Michael E. O'Hanlon, *Healing the Wounded Giant*, Brookings Institution Press, May 2013.

Todd Harrison and Mark Gunzinger, *Strategic Choices: Navigating Austerity*, Center for Strategic and Budgetary Assessments, November 2012, www.csbaonline.org/publications/2012/11/strategic-choices-navigating-austerity/.

Todd Harrison, Mark Gunzinger, Jim Thomas, Andrew F. Krepinevich, Eric Lindsey, Evan B. Montgomery, and Zack Cooper, *Strategic Choices Exercise Outbrief*, Center for Strategic and Budgetary Assessments, May 2013, www.csbaonline.org/publications/2013/05/strategic-choices-exercise-outbrief/.

Richard Danzig, *Driving in the Dark: Ten Propositions About Predictions and National Security*, Center for a New American Security, October 2011, www.cnas.org/drivinginthedark.

Dinah Walker, *Trends in US Military Spending*, Council on Foreign Relations, July 30, 2013, www.cfr.org/defense-budget/trends-us-military-spending/p28855.

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¹ House of Representatives, *Summary of the Bipartisan Budget Act of 2013*, December 10, 2013, budget.house.gov/uploadedfiles/bba2013summary.pdf.

² Open Letter to Congress: Defense Reform Consensus, <http://www.csbaonline.org/2013/06/03/open-letter-to-congress-defense-reform-consensus/>.

³ *Fact Sheet: Highlights of the Chairman's Mark, HR 1960 FY2014 National Defense Authorization Act for Fiscal 2014*, HASC, www.scribd.com/doc/145489785/Chairman-s-Mark-Summary-H-R-1960-FY14-NDAA.

⁴ "Full Transcript: President Obama's December 20 Press Conference," *The Washington Post*, December 20, 2013 http://www.washingtonpost.com/politics/running-transcript-president-obamas-december-20-news-conference/2013/12/20/1e4b82e2-69a6-11e3-8b5b-a77187b716a3_story.html

⁵ Sam Nunn, personal communication.

⁶ *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, January 2012, www.defense.gov/news/Defense_Strategic_Guidance.pdf.

⁷ Gordon Adams, personal communication.

⁸ Jennifer Liberto, "Military Retirees 'screwed' in Budget Deal," CNN Money, December 18, 2013. <http://money.cnn.com/2013/12/18/news/economy/military-pension-budget/>

⁹ Members of the Military Compensation and Retirement Modernization Commission and those who nominated them can be found at www.ausn.org/Portals/0/pdfs/Commissioner%20Bios.pdf.

¹⁰ Michèle Flournoy, personal communication.

¹¹ Defense Business Board, *Reducing Overhead and Improving Business Operations: Initial Observations*, July 2010, http://dbb.defense.gov/Portals/35/Documents/Reports/2010/FY10-10_Reducing_Overhead_Improving_Business_Operations_2010-7.pdf

¹² GAO, *Defense Acquisitions: Assessments of Selected Weapon Programs*, March 2011, www.gao.gov/new.items/d11233sp.pdf.

¹³ Secretary of Defense Chuck Hagel, Speech to the National Defense University, April 3, 2013, www.defense.gov/speeches/speech.aspx?speechid=1764.

¹⁴ Secretary of Defense Chuck Hagel, letter to Senators Carl Levin and James Inhofe, July 2013, projects.militarytimes.com/pdfs/hagel-letter-sequestration.pdf.

¹⁵ Claudette Roulo, "Budget 'Step in the Right Direction,' Hagel Says, American Forces Press Service, Dec 19, 2013 <http://www.defense.gov/news/newsarticle.aspx?id=121374>

¹⁶ Remarks by Secretary of Defense Robert Gates at the Army War College, Carlisle Pennsylvania, April 16, 2009, www.defense.gov/transcripts/transcript.aspx?transcriptid=4404.

¹⁷ See endnote V

¹⁸ Sen. Tom A. Coburn, *Department of Everything*, November 2012, www.coburn.senate.gov/public/index.cfm/pressreleases?ContentRecord_id=e3ace3df-25a9-47c4-8c43-1403e134ce11.

