

Rethinking U.S. Security: *Navigating a World in Transition*

Responsible Defense in a Changing World

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3:15 p.m. – 4:30 p.m.
Wednesday, June 13, 2012

Transcript provided by:
DC Transcription – www.dctmr.com



LIEUTENANT GENERAL DAVID BARNO: Okay, we'd ask everybody to take your seats. We'll get started with the next panel. Well, good afternoon and welcome to our mid-afternoon surge, which is going to be our panel on Responsible Defense in a Changing World. This panel is built on the research work that we've done at CNAS over about the last year that culminated in two reports, one of which called "Hard Choices," we published in early October, last year, aimed at the Super Committee's deliberations in Congress. And then our newest report on the table outside, "Sustaining Preeminence." So we would invite you to snag a copy of that on your way out, if you haven't seen that already.

And today, we'll talk about aspects of this and we're happy to go into some details in our Q&A from the audience later on. But our broader discussion will take advantage of our panel here today, which is a unique and distinguished one.

We're going to break this up with about 30 minutes of panel discussion or essentially a conversation between us here on the stage, and then follow with about 45 minutes of questions and answers from you, the audience. So have your questions ready to go and we'll get through as many of them as we can. We're going to reserve a good bit of time for that.

At the very end of our panel today, we're going to ask the panelists to give you their boldest predictions for the next 12 months. So you can hold them accountable of that later by name. So consider writing those down when you hear them. I think you'll hear some pretty interesting things.

So to begin it, let me introduce the panel itself. I'm Dave Barno. I'm a senior fellow and senior advisor at the Center for a New American Security, for about the last two years, director of the Near East and South Asia Center at NDU before that, and then 30-year military officer, former commander in Afghanistan from 1976 to 2006.

On our panel here today, to my right, I've got the Honorable Dov Zakheim, who is currently a senior advisor for the Center for Strategic International Studies and also a senior fellow at the Center for Naval Analyses. Dr. Zakheim is also, probably best known, I think, for his time in government as the under secretary of defense comptroller and chief financial officer for the Defense Department during middle of the last decade. And I worked with him in that capacity when I was in Afghanistan.

To my far left, Michele Flournoy, also a recent survivor of time in government and a multiple offender in that department, as well as Dov. Michele, of course, coming from a position as the under secretary of defense for policy, currently a member of the CNAS board of directors, and most close to our heart in CNAS, one of our founding directors and the Center's president from our inception. So it's great to have Michele back on the panel here today with CNAS.



And finally, to my immediate left, one of the co-authors on our latest responsible defense report, along with Travis Sharp and Matt Irvine, Dr. Nora Bensahel, who is also a senior fellow at the Center for a New American Security and our deputy director of studies.

Nora has spent many years at the RAND Corporation as a senior political scientist before joining us at CNAS. She's also an adjunct associate professor on security studies at Georgetown University.

We're going to be doing a little bit of a Huntley-Brinkley. For those of you that don't remember what that is, it will become apparent. Just looking this crowd, that's probably 70 percent of you don't know any – have no idea of what I'm talking about. So it'll be back and forth between Nora and I a bit on questions and we'll, again, shape this a bit as a conversation here for the first part of the program and then turn to you for some questions.

So Nora.

DR. NORA BNSAHHEL: I want to start out with a very fundamental question. And that has to do with what the U.S. role in the world should be because so many of the other issues surrounding the future of the Defense Department follow from that.

This morning, in the Grand Strategy panel, we heard a range of possible views of what the U.S. role in the world should be, ranging from U.S. primacy all the way to retrenchment, but I'm wondering if each of you could talk a little bit about what you see the U.S. role in the world to be going forward and then particularly what and how the Department of Defense should contribute to that. And we thought we'd start with you, Michele.

MS. MICHELE FLOURNOY: Great. Well, it's good to see everybody here today. And I think you're starting with the right question because I think how you answer that question should inform how we think about defense spending, the utilization of the military tool, and so forth.

From my part, I believe that the U.S. still has a unique and indispensable leadership role to play in the world. We remain a global power with global interests. We remain uniquely indispensable in the sense that I think it's only with U.S. leadership that allies can be brought together or coalitions can be formed to deal with the kind of challenges we face today.

When you look across the board, whether it's terrorism, proliferation, climate change, I mean you name it, there's no one nation that can deal with those challenges by



themselves. It requires a united international community. And I think the U.S. can and must play that leadership role. When we don't play it, things don't go so well for the international system and for meeting our shared interests. So I acknowledge that the relative indices of power are changing and there are other countries that are arising in their power, both economically and militarily, but still even in that context, I think for the coming decades, the U.S. will have a unique leadership role to play.

And to answer your second part of your question, I think making sure that our military remains the best military in the world and acknowledged as such is a key part of our being able to exercise our influence effectively.

DR. DOV ZAKHEIM: Well, first of all, thank you very much for having me. And I would point out to Dave and to all of you, I don't mind being acknowledged as being on your right, but I wouldn't call Michele far left. (Laughter.)

MS. FLOURNOY: I was going to object to that, too. (Laughter.)

DR. ZAKHEIM: I'm in general agreement with Michele on this. Dave was worried we'd be in too much of agreement. Don't worry about that. The challenge for us, I think, is this. We are the necessary condition for success in a lot of places. We are not the sufficient condition. And in the past, we've often been the sufficient condition. And when we say we're indispensable, it almost implies that nothing can really go on without us, which simply isn't true. There are lots of things that can go on without us. And I would argue there are some things that go on better without us.

Nation building, we are a disaster at nation-building. We've had four successes since World War II. Two countries which we flattened first – Japan and Germany – and two countries where we tolerated dictatorships for about three decades – Taiwan and Korea. I can give you a much longer list of our failures. Does that mean we shouldn't be involved in nation building? Of course it doesn't mean that. It doesn't mean we should – it does mean that we shouldn't necessarily take the lead.

So when we say we're indispensable, it implies that we always have to be at the front. We always have to be getting everybody together. I'm not sure. But we are a necessary condition. It's very hard to see too many efforts succeeding without us being a part, and very often – most often – a significant part. Which brings me to the second part of the question. What should DOD be all about?

And I personally believe that DOD should get out of the nation building business. I don't think we're terribly successful taking a bunch of 18, 19, 20-year-olds, and having them bring democracy to the great unwashed. Now, the fact is those 19, 19, 20-year-olds do a phenomenal job considering that they weren't exactly trained to do this.



But again, our success rate isn't particularly high. It's not what they enlist for. It's not what they're trained to do. And I don't believe it's what they should be trained to do. Now, there're other departments in our government that could probably do some of these things a lot better. And they have fallen very far short. But that doesn't mean defense should always be the default mechanism every time we have to do something like nation building. I think it's a huge mistake.

LTG BARNO: I would maybe take us in a little different direction and first, I'd point out there are – there are Americans and there's probably not a great number of them in this room, but I think listening to this morning's panel it's worth noting there are Americans who have a bit of a different view of the U.S. role in the world. And they are much more interested in the inward focus of our resources.

They look at the – and as we heard in some of the panel discussions before, and they look at the internal decay we see in a lot of our infrastructure, our capabilities, our systems, and they worry about that opportunity cost of what we're paying for defense right now, as they look at what they see is – (inaudible) – United States. So we all look for opportunities. In a sense, is a devil's advocate to bring that out here this afternoon, but despite the fact that may not be a majority opinion in the room, there are a lot of Americans that are looking at that and they're looking at the defense budget and they're scratching their heads a little bit.

And so as I look towards the next question here, I think I would suggest that we're on the cusp of really reshaping our Defense Department, coming out of the last 10 years of war, and now, seeing some significant budgetary constraints as a forcing function that will, in effect, cause us, allow us, force us to build the next DOD.

And if we look back over the last 50 or 60 years, the Defense Department we have today, in many ways, was built on a threat based situation, threat based world war scenario after World War II. The United States built its defense establishment for the first time, a large peacetime establishment, based upon the threat that emerged in 1946, '47, '48 from the Soviet Union. And for the better part of 45 years, the U.S. had a very large expenditure rate on defense, had a global military for the first time in its history outside of an act of war, and put a tremendous amount of resources into the defense establishment.

By the early '90s, that threat has disappeared and the Defense Department was downsized a bit. And we'll talk a little bit about that as well in our history there. But we really are still living with the legacy Defense Department that came out of that threat from the Cold War. And we shifted, however, in the '90s, when I was still in active duty; from a threat based approach to really an opportunities- or capabilities-based approach in the Defense Department, kind of little noted in the general public.



So today, we have – still have very large Defense Department. We have a budget that's extraordinarily significant that's impacting other choices that the U.S. is making, but we don't have the threats. So if you look at the world today, what threats are we building this next Defense Department to be capable of dealing with? You noted the nation building may not be one of those. What else we need to worry about?

DR. ZAKHEIM: Well, fair enough, but first, I think, people very often misunderstand the relative size of the defense budget relative to everything else that we spend in any given year. Because, as everybody knows now, the sequester involves 50 percent defense, 50 percent non-defense, a lot of people assume, well, half of what we spend is on defense. In fact, if you factor in what we spend on Social Security, Medicare, and all these entitlements, defense is actually 14 percent, which is quite different. And that tells you something about the relative nature of our expenditure on non-defense efforts since World War II. Used to be that defense was indeed the biggest single government item for expenditure. It was. That is far from the case today. So that's one point that I think needs to be made because when a lot of people say, well, we should spend less on defense. We're spending so much. Relatively speaking, that isn't exactly correct.

Secondly, it's true that we've gone away from a threat based approach, but you have to think about the negative consequences of withdrawal from the world. We are, as everybody knows, part of – the center maybe, the epicenter of the globalized economy. What happens if we withdrew back to our own borders? What would that do for stability in all sorts of places, parts of the world, where we have major investments, where we have created jobs at home here? The odds are you'll see a lot more Syrias and a lot more Libyas.

Part of what we have done over the last 60 years, even if we didn't fight a war with the Soviets and even if we built up our forces in order to be able to fight a war if we had was provide stability. Even the Chinese never wanted us to leave the Pacific. And they still have two minds in that regard.

So the way to evaluate defense and its contribution is not simply to say, well, you know, how many planes can we shoot down on any given day? It's what does our defense posture – and no one else has it – Michele said this – nobody else can match that – what does our defense posture do for international stability, for the credibility of the entire international system? And in that regard, I would agree. We are indispensable. You pull us out of that system, the system collapses. The system collapses; you watch our economy head south very quickly.

LTG BARNO: Michele, agree?



MS. FLOURNOY: That's actually what I meant by being the indispensable power. It's not being all things to all people and all places. It is being that linchpin in the international system and really it's about smart engagement.

You know, I think that if you're going to figure out how much we need to spend on defense, it has to be a strategy driven exercise. But it also needs to be informed by our larger resource picture. I think Secretary Panetta had it right when he said, we don't have to choose between national security and fiscal responsibility. Well, what you said is right, Dov, about the percentage of, you know, defense spending isn't the overall budget. It's still – it's – second to Social Security, it's the largest single chunk. It's about 20 percent of the federal budget, more than 50 percent of the discretionary budget.

And you also have to put it in the context of unfettered – very substantial growth in the last 10 years. Since 9/11, the budget has gone up – the defense budget has gone up by about 73 percent in real terms. That's a very substantial growth, which has frankly been necessary to support the operations we've been in, to support the adaptation to new threats, and so forth.

But I think the kinds of reductions that are envisioned in the Budget Control Act, which was supported by a bipartisan vote in Congress, including all of the relevant leadership of the committees, that's the sort of thing that I think, you know, there're some hard choices to be made, but we can live within those parameters and still come out of the exercise with the best military in the world.

I think in terms of setting priorities, the strategic guidance of the Department, which, although I'm now no longer an official, I – it's near and dear to my heart. It was one of my last acts to try to shape that. I think we got it right in terms of very clear priorities, a clear priority on Asia-Pacific for the future, while making sure that we don't forget to sustain our engagement in the Middle East, given the volatility and the stakes involved in that region, and that we still make it on our commitments to our allies in Europe. But it was probably the clearest articulation of real priorities for the Department in a long time.

DR. BENSAHEL: I wanted to talk a little bit about these budget questions in some more detail because they're so key moving forward, particularly with the looming implementation of sequestration at the beginning of the year. You gave us some really good numbers on the growth of the Defense Department over the past decade, which is obviously being considerable. Unfortunately, at the same time, as we all know, the national debt has grown quite substantially as well. At the end of 2008, the federal debt held by the public equaled about 40 percent of the U.S. GDP, and by the end of 2012, it's going to surpass 70 percent of GDP. That's the highest percentage since shortly after World War II.



The federal debt held by the public now exceeds \$11 trillion and it has grown by \$4.5 trillion just since the end of 2008. So obviously – and I know you’re very aware of this as a senior policymaker, that fiscal context is very different from when we’ve had these types of decisions before.

So the question that I want to pose to you and you’ve started answering this a little bit, but how much defense is enough in this fiscal context? And how do you prioritize among competing priorities, not just the tradeoffs within the Department of Defense, but at the national level as well?

DR. ZAKHEIM: You look at me first, so okay. First of all, I think, again, you need to place defense in context. Right now, interest rates are at historic lows. Our debt, national debt is roughly, what, 80 percent now of our GDP, give or take. The bottom line is if it goes – if our interest rates go up 1 percent, you’re talking roughly \$60 billion, maybe \$70 billion added to the federal deficit. If we go up to our historic rates of about 4 percent, you have just eaten away roughly half of the defense budget. So you know, the key isn’t to say, well, on a budget of trillions, we get rid of the defense budget or a huge chunk of the defense budget. I just don’t think that that’s the solution. We know that there’re other things that need to be done.

But within defense itself, I’m not entirely convinced that defense can live within the \$487 billion that are being cut over the next 10 years. We’ll get the sequester later. We all have our hair on fire regarding that one. But if you want to talk about defense, then you have to really talk about what the problem is with defense. And the problem fundamentally is we’ve been spending more and getting less. We have fewer ships. We have fewer aircraft. We have fewer Army weapons systems when the Army can actually come up with one. (Laughter.) That is the fundamental problem.

And so you have to ask yourself why that is. Why it is, for example, that the Marine Corps in the next few years is going to spend 70 percent of its entire budget on personnel? And the answer is pretty obvious. We have significantly increased pay and benefits for active personnel. We have expanded the pay and benefits for reserve personnel. We – and particularly, of course, defense health, which comes out of the operations and maintenance budget among others. Retirement has not been reformed. You retire at the age of 40 and then you’re paid for 50 more years, while you’re holding down another job for perhaps 25 of those. In addition to that, the acquisition system, there are – you could fill this room with the studies about how to fix the acquisition system. The acquisition system has not been fixed.

The only thing that’s happened to the acquisition system is that we’ve added more acquirers and there lots of people doing the acquisition. We don’t have a lot of people doing it effectively.



And then there's a whole question of whether we need as many defense civilians as we have. That's a very, very explosive question, but the Defense Business Board, which, I'm happy to say I was the one who created it, came out with a study that said we could do with 110,000 less civilians. That's a lot of people and a lot of money.

So it's not impossible to live within budget constraints. It's what you do in order to live with them. And in my view, and then I'll shut here so Michele can speak, in my view, we are really cutting significantly back on the capabilities, on the actual capabilities we have. The most graphic in many ways is the Navy. We're going to be focusing on Asia. I won't use the term pivot out of courtesy to Michele because the administration doesn't like the term. But we'll focus on Asia. We're going to focus on them with fewer ships. And if the sequester happens, well, I mean, fewer ships than that.

We don't want to lose sight of the Middle East. But where are we going to find the ships for those? We're going to have ships in the Mediterranean and yet the numbers just don't add up, and the same applies to the Air Force. And ask any European what they think about pulling two brigades out of Europe. Particularly, when demonstrators in Moscow are being shoved into jail. There's a lot of angst out there.

So there is a way, I believe, to manage the resource constraints that are being imposed in the defense budget, but again, A, understand this in context of larger expenditures we have to deal with, and B, understand it in the context of what can be done inside defense that can really get you more for your money, as opposed to where we are now, where we get less for our money.

MS. FLOURNOY: Where to begin? (Laughter.) Let's start with the national debt piece. I mean, I really believe and I think frankly most Americans believe that the only way we're going to grapple with this problem is to both increase revenues and further constrain spending. That is the common sense approach. It all has to be on the table to get there.

And frankly, the national debt – the problem is so severe. I think it can become a national security issue in that the foundation of our power as the United States is really economic, first and foremost. And so we've got to get after this issue. Defense does have to be on the table, but let's be clear about what the Budget Control Act numbers actually mean. Four hundred and eighty seven billion over 10 years, that is not – I mean, in – what it is actually doing is slowing the growth in the base budget. It's not actually reducing the numbers.

I mean, it's reducing numbers, but it's not cutting in absolute terms. It is basically saying the base budget is going to grow by about 9 percent less than was originally planned. That's – but it still goes up over time. It's also counting on recapturing or bringing down a

lot of costs associated with the war. The war in Iraq is now over. Afghanistan, we're in a transition process that is going to naturally bring those costs down.

So I believe that the kinds of reductions envisioned in the Budget Control Act are things we can live with and still, again, have the defense we need to maintain our leadership position and protect in advance our interests and those of our allies.

You know, I agree with Dov that you know, you really do have to get inside why is it – what are we spending on and why is it – is it so hard and so frustrating to get what we need, the value out of – that we need out of the defense budget. And I think we're at a point where we really have to think about fundamentally re-architecting and redesigning some of our business processes.

You take personnel cost. What's driving the growth in personnel cost? Personnel went up by about 8 percent, personnel costs, in the same period since 2001, went up 40 percent above inflation. I mean, huge growth. Well, it's health care. It's what's eating us alive in terms of our nation. So instead of having the toxic political discussion about well, let's solve the health care cost problem by cutting benefits to those people who've been out there sacrificing day after day for the American people for the last 10 years, why don't we take the smarter approach to say how do we re-architect our approaches to get same or better value for lower cost. That's what's starting to happen in the private sector. You can find examples of it out there. Why don't we go after military health care from that perspective as well?

DR. BENSANEL: Let's me just add one thing on the military health care point. It's not just a matter of health care costs have increased in a parallel to the civilian society. It's also that the incentive structure is there for retirees to stay on military health care systems because they are so much less expensive in terms of the premiums than civilian health insurances.

I know one of the things that was proposed in the president's recent budget were relatively small increases in the fees for TRICARE, for example, which would have helped close that incentive gap to raise the fees by a relatively small percentage. Right now, the difference between the health care premiums, if you're on TRICARE, it is about 10 percent of what the equivalent cost is for a civilian. And so if you don't rebalance those incentives, you know, that's going to continue going up. It's not just the health care cost itself.

MS. FLOURNOY: Absolutely.

DR. ZAKHEIM: And this is – this is a problem – you know – we've all faced it. I remember testifying, when I had already left government with David Chu and when the Bush administration was still in the White House. And we got to testify about just raising



the co-pays. I mean, co-pays have not been raised in how many years, Michele? Fifteen, it's ridiculous. And what they did was they stacked the letters from veterans associations that were generated and you could barely see the congressmen because the letters were covering out. This is the fundamental problem. And unless we do something about co-pays – look, there are at least six states that encourage their military retirees to stay with TRICARE so that they don't have to pay pensions. And it's something wrong with this.

Sorry, I interrupted you, Michele.

MS. FLOURNOY: No, it's – at the risk of being an out-of-control panelist that you can't get to shut up, I did want to address your point about the Navy. (Laughter.)

DR. ZAKHEIM: Okay.

MS. FLOURNOY: Just to be clear with kind of the facts on the Navy. At the end of the Clinton administration – first of all, we have to think about what is the right metric for measuring naval strength? Is it really just the number of ships? I would argue not, given that the ships of today have a lot more capability than the ships of 1918 or what have you. But if you are going to look at numbers, at the end of the Clinton administration, the Navy had about 316 ships. By eight years later, at the end of the Bush administration, it had 278.

Since Obama has come in, 42 additional ships have been put on contract with an option for 15 more. So you know, I think – but the more important point is that – it's questions how are we using these forces? And the Global Posture Review that's been done and the rebalancing towards Asia, we put a lot of time and effort to say how can you take a force that will be somewhat smaller than it has been in the past and still create the sense that America's fully present.

We may be even seem to be more present because we're going – more things are going to be forward stationed, so that you can – with forward stationing, you can get, frankly, more for fewer ships than if you were trying to rotate them from CONUS all the time. We're doing that in Asia. We're doing it in Europe, and so forth. And the same thing with forces in Europe. Yes, we're taking one brigade out, but we're increasing the U.S. commitment to the NATO response force. We're going to rotate a battalion through on a regular basis for continued training with allies and coalition partners. So again, in terms of the actual experience of the U.S. being present, it should be comparable to what it's been in the past, if not enhanced.

So I think it really matters. How you manage the force, how you operate the force is as important as the sort of raw numbers.



LTG BARNO: One last point to hit briefly before we go to your questions, and that's the looming train wreck coming to town in December of this year in the Defense Department sequestration. And I would ask you to draw out why – for this audience why it really is so bad. I look at the simple numbers. If sequestration takes effect, it's perhaps a 10-percent cut across the board. It's going to be applied in some very problematic ways, obviously. But as I look at previous drawdowns and we're going to do a study on this to come out next June on lessons learned from our previous Iraq and other nations drawdowns, those numbers are modest, compared to 25, 30-35 percent defense cuts at the end of the Cold War, at the end of the first Gulf War there, post-Vietnam, et cetera. So tell us why this is more problematic than drawdowns we've seen in the past.

MS. FLOURNOY: Actually, I was going to defer to the former comptroller first, give you the right to –

DR. ZAKHEIM: Does that mean I have to defer to you on every policy question? (Laughter.)

MS. FLOURNOY: Yes, he does. Nicely done.

LTG BARNO: She's good. She's good.

DR. ZAKHEIM: She's very good.

So I won't talk about the Navy right now. (Laughter.) First of all, I think people don't realize we're not talking about a 10 percent cut. We're talking probably about a 15 percent cut. And the reason I say that is that everybody expects the White House to say, no, that military personnel will be exempted. And as you just heard from both of us, there's a huge chunk of the budget. That's number one.

Right now, Jack Lew in the White House and OMB are saying the overseas contingency account, the OCO, as it's called, will not be exempted, but Senator McCain and others have made it very, very clear that it will be exempted. So those two are going to be exempted. That's a chunk of change right there. And what it means is that you now have to find roughly \$55 billion with fewer dollars in the denominator. That's how you come to your roughly 15 percent. But there's more. For a start, the 15 percent comes off what's called programs, projects, and activities. And that means that you go all the way deep down into the budget and you cut across the board.

Now, there're going to be some problems. How do you cut 15 percent of the military building that you're building? Lop off the top two floors? It's just not clear. That means that contracting officers don't know what to do about these sorts of projects. In addition, because this is all going to start January 2nd, you will have gone through – I'm



sorry to give you a course on sequestration, so stop me if you want me to stop – you have to – you have to have gone through an entire quarter of the fiscal year before all of this starts. So now the issue arises, do you want to spend more and get those contracts out in the first quarter with the risk that some of them will get cut and you’ll be sued for termination liabilities? We’re still fighting the A-12 in court. That was approved by Secretary of Defense Dick Cheney. So that’s a couple of years ago. (Laughter.)

So do you do that or do you hold back because that way you have a larger denominator from which to take this \$65 billion. But if you hold back, there may be some critical programs that will never get started. These are huge dilemmas and most of the contract officers seem inclined to just sit on their hands because they – you know – why take the risk?

One other point and then I’ll turn over to my co-teacher on sequestration. There is a thing called the Warn Act, W-A-R-N. And Congress passed this law, I forget when, not too long ago. And it requires employers to inform potential – potential people being RIFed (sp). They might not necessarily be RIFed, but if they could be RIFed, they need to be informed a minimum of 60 days before that happens. In some states, it’s 90 days. I think in some states is even 120. Sixty days before January 2nd is November 2nd, four days before Election Day. (Laughter.)

Now, according to the Bipartisan Policy study that I was part of their Defense Task Force, that study – the staff came up with an estimate based on CBO’s estimate of about a million people being subject to RIFs in the next couple of years if sequestration happens. At least half of those are going to be defense folks. That also means that the other half are going to be non-defense folks and there’s awful lot of people out there working for God knows who, Coca Cola or General Electric or whatever, who don’t realize that if this happens, the economy drops by about a half percent GDP, which is what’s predicted. They’re going to be getting pink slips and they’re not expecting them and this – they’ll get them four days before the election, being told you might be fired in 60 days.

I wouldn’t want to be a politician running for office four days before those notes go out. But for defense, it’ll be an absolute disaster. Secretary Panetta has made that as clear as anybody I know, and so that’s a good segue to turn over to you.

MS. FLOURNOY: It’s also a disaster from the strategy point of view. When we – when the Department did the new strategic guidance at the beginning of this year, we went through a lot of different strategy alternatives, and I think one of the things, one of the insights that came out of that work is that you push much beyond the current Budget Control Act numbers, and you start to take very fundamental risks with this country’s security in terms of our ability to make good on alliance commitments in more than one place at a time, to deal with aggression in different places, and so forth. So I think there’s a



really – there’re some very fundamental strategy questions that come up when you put into the zone of sequestration that I do think put our leadership role at risk and our national security at risk.

So you know, from that point of view, I think it’s deeply disturbing. I also think there’s another element of this that we have to take account of. When you go abroad and you hear the narrative of U.S. decline, which I personally reject, but when you hear that, people are keying off not just our current economic situation. They’re keying off the political paralysis and the failure to govern that they are seeing from this Congress and in this country. And that, more than anything else is what is feeding the narrative of U.S. decline. We have to be able to – you know – to work our way through this set of issues and to come to some very pragmatic common sense solution.

I think, you know, you have a situation right now, where political ideology is trumping one of the finest traditions of the United States of America since our founding, since the negotiation of our Constitution. And that is pragmatic political compromise to solve the problems of the nation and move us forward. That is the thing that is really needed right and that – and it’s not only needed domestically, but the world’s watching and they’re drawing conclusions that are very harmful to our capacity to lead in the future, unless we don’t get after this, and do it in a way that avoids sequestration.

DR. BENSAHEL: With that, we’ll open it up for your questions. As a reminder, please start – wow, lots of hands flew right up. (Laughter.) Please state your name, your affiliation, and especially because there’re so many hands, a – no, standing up does not help. (Laughter.) And please, a very succinct question. In the back on the aisle. Microphones will be coming to you.

Q: (Off mike.)

LTG BARNO: Can’t hear you.

Q: Joe Bosco, DOD, under both of you, under secretaries. A privilege to have worked with both of you. A question on your exchange on U.S. commitment to the Asia-Pacific and the diminishing, the apparently diminishing naval capabilities.

Dov makes the case that the number of ships has diminished to the point where we may not be able to meet those capabilities. Michele indicates that our actual capabilities are stable and may be a little higher. My question is what’s happening in China, as our vector moves us in a stable plateau or even a little higher, China is moving dramatically in a number of areas that affect our own capacities. So how do you rank the relative direction of the two vectors?

MS. FLOURNOY: So China is obviously modernizing its military in very substantial ways. It – most worrisome is not being as transparent as we would like it to be in terms of helping us understand exactly why it's doing what it's doing and what – how – what its broader strategy is. Clearly, they're growing their naval capacity. My point was that the only metric should not be the number of ships in the fleet. Yes, the fleet's being rebalanced to put more of our overall ships into the Asia-Pacific region, but as interested as what's on those ships, what are the capabilities that ensure that we can operate effectively, maintain our freedom of maneuver and action, and support our alliance commitments in the face of an increasingly contested congested global commons, in the face of anti-access and area denial threats.

So one of the things that was done in this recent budget is a laser beam was focused on all of the capabilities that are going on to those platforms, not only on ships, but in other platforms as well, to ensure that we maintain that freedom of action in a more contested environment.

DR. ZAKHEIM: Well, this gives me an opportunity to come back on the naval issue. First of all, I agree, it isn't just the number of ships, but it's sort of Lanchester's Law – those of you who are familiar with that – at some point, numbers do count. And if you are spread think around the world, and I believe that whether it's 280 ships and if you just look at the numbers, we're not building enough ships each year to sustain that number or come even close to is. And you want to maintain your commitments in the Middle East, in the Indian Ocean. You want to maintain them in the Mediterranean. And you have commitments there now as well with missile defense ships and so on. You're not going to hack it. That's number one.

Number two is you have to look at the actual force mix. And the mix is not very reassuring. It's true. We've kept our carriers. We've got an issue as to whether we can continue to build SSNs, nuclear attack submarines at the same rate as we have in the past. We're building a significant number of ships, but those are littoral combat ships. And when I was comptroller and approved those ships for the first time, the understanding was those were not going to be your big time war ships that were going to face off against, you know, a powerful navy. Those were for a very different mission.

So yes, we're building a chunk of those, but they don't exactly replace Aegis destroyers.

Now, to get to the China question, the one reassuring thing is that they're a bit starting from a low base. On the other hand, what's not reassuring is how fast they're moving. And Michele is absolutely right. They don't want to be transparent at all. You want to know about our program, you can find that out – without leaks – you can find out about an awful 90 percent of what we're up to. You probably find out about 10 percent of



what the Chinese are up. They don't want to give their budget numbers. They don't want to give their program information.

And they're doing themselves a lot of harm. If they wanted to reassure us, the best way to do it would be to be open about it. But they're not and they're scaring all their neighbors. They've made some huge diplomatic mistakes with a lot of their neighbors in the last couple of years. Michele can, of course, talk at great length about that. She had to cope with that and I think she coped with them pretty well. But the Chinese are clearly flexing their muscles in a way that worry a lot of people.

I personally believe it's unnecessary. I don't think we're in a cold war situation like we were with the Soviet Union. But you listen to some of these Chinese generals and you do get worried.

MS. BENSANEL: Okay, I was probably a little harsh in my comment on the standing up. So why don't you ask the next question? (Laughter.)

DR. ZAKHEIM: That's what's called a makeup call. (Laughter.)

Q: Journalists are used to standing up asking questions. Mike Mosettig from the NewsHour. Secretary Flournoy mentioned our commitments to our European allies. What about their commitments to us? I'm just back from there and you have –one of the few countries that projects power, Britain, is on a strategic defense review that seems to have little to do with defense. There's only one story going on over there is the collapse of the Euro. I mean, is Secretary Gates' prediction of a totally hollow European defense already coming to pass and what is the effect that that's going to be on our capabilities?

MS. FLOURNOY: Yes, look, I think we are all deeply concerned about the Euro crisis and its impacts more broadly, but particularly on the defense spending of our closest allies in Europe and frankly among our closest allies in the world, when we go to Libya, our NATO allies come with us. When we go to Afghanistan, our NATO allies come with us. We have a great stake in how they manage their way through this crisis.

And I for one I'm deeply concerned about the plummeting defense spending across the continent. Very few economies are – of very few countries are meeting the sort of basic NATO standard, which fairly modest, of 2 percent GDP spending on defense. Percentage of GDP is not always the best metric, but it is a benchmark that the alliance has adopted and very few of them are meeting it.

So I think we should be both for economic reasons and frankly looking even longer term for demographic reasons, you know, our closest allies in Europe and Asia are among

the most quickly aging populations and countries that are not always maintaining a robust level of defense spending.

So I do think it's a major strategic issue. I can just assure you that certainly – I'm now three months out of date, but certainly, in my time in the administration, there was a very frequent, candid, and priority topic of conversation with our allies.

DR. ZAKHEIM: All I'll add to that – and I totally agree with that – and remember that in the 1952, the NATO allies said they were going to produce dozen of divisions, which never materialized. Then it became 3 percent in the 1970s. That never materialized. So you know, we keep drawing the line, okay, if you want to do this, at least do this, and they never meet it.

There's one other thing, too, and this goes to what Dave Barno said in his opening remarks. There're a lot of people in this country who don't understand why we spend money on defense, why we're out there. And when they see our European friends living quite well, even in Greece, and not spending money on defense, while our kids are getting killed, now yes, they make a contribution, but the numbers, the differential in Afghanistan, in Iraq is staggering. I know because I was the troop raiser for Iraq and Afghanistan. It was one of my additional duties. It was almost like a second full time job. And you know, our British friends made significant contributions, several others did as well, relative to their population, some of the smaller Baltic countries did the same, our Australian friends did the same. But if this spending continues on a downward trend, all it does is reinforce the worst isolationist instincts in the United States. And that would be a disaster.

LTG BARNO: I'd add one point to that on the military side – and with two sons in uniforms who've served in Afghanistan, I see this through their eyes, as well as the value of NATO that was very apparent to my generation of military officers, having served in Europe and having faced off with the German army, the British army, the Canadian army in Europe against the Warsaw Pact. That's a very different perspective than the one that's seen by our junior officers that have served in Afghanistan with their allies then. And the allies were out there, but we all – our officers and NCOs see them playing at a much lower level with many constraints on what they're willing to do, and with a tiny fraction of their military capabilities being employed in Afghanistan, where significant portions of ours are there. And that's very contentious, but their views of NATO I think, as I recall, are very negatively by their experience of the last seven, eight, nine years in Afghanistan in particular. And I think that has knock on effects down the route.

DR. ZAKHEIM: And they're going to come home. And they're going to talk to their friends and neighbors. And the reservists who've been out there, who are really part of their communities, are going to come home and talk. And that is what worries me. So on this one, I'm totally in agreement with Michele.



MS. FLOURNOY: Well, I must say. I am deeply concerned about the defense spending picture. I think it's a much more complicated picture in Afghanistan. I think it's very much, you know, place by place, experience by experience. I think our allies, certainly for the most recent surge, stepped up in a great – certainly in numbers. I think many of the countries are serving with quality forces and actually have been very good partners. I think it's uneven. So I think there're some people who are going to come home with that perspective that you describe, General Barno. And I think others are going to come and say, you know, I had the most amazing, you know, partners alongside me and they were right there with me every step of the way, and so forth.

So I would hate for us to walk away from here generalizing about the experience of working with NATO, certainly in Afghanistan and also in Libya.

LTG BARNO: One small follow on to that that's also going to be a factor in the future is as we pull our forces out of Europe, the number of American military forces exposed to our European allies, serving in Europe, working with them, is going to plummet from what we've seen for the last 40-50 years.

MS. FLOURNOY: Actually, I would contest that because I think one of the designs of increasing the U.S. commitment to NRF and substituting instead of having one brigade there, having a rotational battalion going through, it's going to be a different battalion and with each rotation. And over time, you're actually going to expose more American soldiers to the experience of working with NATO partners than just those who are in that brigade.

DR. ZAKHEIM: I just want to also make clear. I'm not talking about the quality of the people who are in Afghanistan. What I saw when I spoke to them and saw them, also in Iraq, this was – these are top quality people – it's not the issue. The issue is the numbers were low relatively speaking. And secondly, when you look out in the future and you see this reluctance to spend money on their own defense, that is going to bite back home. And I don't think – I would say 90 percent of the people in this room would be very concerned about that, as we are at this table.

DR. BENSANEL: Let me just add one final thing on that. We tend, in defense circles, to think a lot about the military contributions of allies and what they bring to the table, but frankly the most important thing that U.S. allies and partners bring to the table is political legitimacy for our operations. And so there're always these kinds of operational tradeoffs, they will continue to be. They may get exacerbated as the defense budgets of some of allies and partners decline, but that doesn't mean we're not going to be working with them in military operations in the future.



We have a question from Twitter.

Q: This question is actually directed to Secretary Flournoy. A Twitter user wants to know how Pentagon officials should reconcile the policies that support security force assistance and building partner capacity with congressional lack of support for new expenditures.

MS. FLOURNOY: In general or expenditures in that – you know, I think this is interesting. When we – in the last round of budget discussions, the programs for building partner capacity were very much sort of on the chopping block, going into the process. People said, you know, this is just kind of nice to have stuff that you – we really can't afford. But as we really opened these programs up and looked at their strategic importance and the very relatively modest investment with sort of huge dividends in terms of building relationships, building capacity, building capacity of partners that it would actually enable them to deal with the local security issues, so that we don't always have to come in once it becomes a crisis later. You know, I think the attitude towards these changed 180 degrees certainly within that discussion. And they ended up being among the things that we are protecting – we're protecting most carefully.

I think that perspective shift is still to be had on the Hill. I mean, I don't think these programs are as fully explained or understood as they need to be, to understand how – what a small level of investment this is for such a big payoff when the programs are successful. So I think there's a big education effort to be done to explain the value that we're getting out of, again, reasonably modest investments.

DR. BENSAHEL: Right up here.

Q: Kate Brannen, Defense News. I wanted to ask, the Romney campaign is talking about big increases to defense spending, and if you're an industry, if you're in the Pentagon, did you take that pledge seriously? Is it realistic in today's environment? Thanks.
(Laughter.)

MS. FLOURNOY: My obvious question is what are they going to cut to allow that. I mean, what's the tradeoff. You know, what are we talking about here. I think in any – and I'm not just being – you know – speaking politically, I'm just – I think any discussion of major increases to any aspect of federal spending at this point; you have to say what the offset is. You have to say what are you cutting instead. Are you increasing revenues to do that? Are you taking some other money from some other part of the budget and shifting it over? I think you have to have the whole picture to be able to evaluate proposals like that.

DR. ZAKHEIM: My understanding is that – and this is just my interpretation of it, I want to be clear about that – is that this is not going to all take place in one year, and it's

going to be a gradual growth. And so obviously he's got a lot of other proposals that, for instance, would stimulate the economy and create jobs. Now, you may agree or disagree with those proposals. But that's one of the premises behind it. If the economy expands again, then you're in a better situation to increase defense spending and other spending besides. So I think you do have to place it in a larger context than perhaps the question was framed.

DR. BENSAHEL: In the back corner.

Q: Brad Sweet. I'm the defense futurist of DOD. Anne-Marie Slaughter was very passionate this morning in speaking to the network environment of the future world that we're going to all going to be operating in. Given that context and given some of DIAs – some of DOD's highs and lows with strategic influence in the past, everything from the Office of Strategic Influence to smart power and its application in Yemen recently, how should DOD be looking at strategic influence in the future, in shaping future battlefields both for hopeful allies in the future, as well as potential adversaries?

MS. FLOURNOY: I'm struggling with whether to interpret your question broadly or narrowly.

DR. ZAKHEIM: Well, I'll give it a shot –

MS. FLOURNOY: Go ahead and I'll think about it.

DR. ZAKHEIM: I wasn't here when my friend, Anne-Marie, who's sitting right up front, was being passionate, but – (laughter) – I know you'll get me for that one. But I've heard Anne-Marie's brief about this and it's very, very compelling. And I think that if your question is how do we shape – to take a term that's been used on occasion – shape the international environment, given these sorts of new developments in networking, the answer is if we want to do any shaping, we're going to have to take account of those and we're going to have to take account of those in the way that Anne-Marie talks about them. They are different. This is new. And we have to be in front of the curve. What we cannot do is fall behind the curve on this. Now, this is a very separate thing from say cyber warfare and something else. Your question was about shaping.

Look, I'm now in business. The best way to market something is if you have a good product. The United States is the best product in the world. We've got the product. So now, it becomes a question of marketing the product. And when you market something, you want to market it using the latest tools available. So that's how I think we can go ahead and continue, as we have for the last 60, maybe more years – I mean, you could go back maybe to Teddy Roosevelt, when he wins the Nobel Peace Prize. We've been shaping the



world for a long, long time, because, A, we were always at the cutting edge of the tools that allowed for this shaping, and B, we had a terrific product to sell.

MS. FLOURNOY: One of the reasons I was struggling your – with your question is because you frame it in terms of what should DOD do. And I really do think this is – I think Dov’s right. You know, I do think this is – this is a whole – classic whole of government effort and where DOD doesn’t necessarily have the lead. We have a role to play, but certainly not the lead. And I do believe that we have got to get a lot better at leveraging new tools to really change the practice of statecraft.

I mean, it really – we have to operate differently. And I think this administration and I know the previous one has certainly had many particular experiences of this, where you really – the old tools were not adequate to the task. And you really had to think creatively about how to get a message out, how to shape an environment, and so forth. So I think it’s an important question that we’ll be grappling with for some time.

DR. ZAKHEIM: I would add one other thing to this, which sort of piggybacks on what Michele said. Maybe she didn’t think of that, but it resonated with me. One of the biggest challenges when you go into government is you’re living off your intellectual capital such as it is. And it has a very, very short half life. And the only way we can keep up, not just with the latest technological developments, but with the best way to use them, is if government is open to outside thinking.

And so think tanks, universities –sometimes people say, well, you know, all they do is generate paper. What’s really important is to generate those ideas. They’re not going to come from within the government. It’s just not the nature of government to generate new ideas. And even when government is asked to like DARPA or something like that, and yes, we did come up with the internet at DOD, that’s not going to deal with the entire gamut of fresh ideas. Just go to Seattle, see what I mean.

LTG BARNO: There’s just one short follow up on that, too. I could – I think one of the things that’s an obstacle out there today is the current generation and summary of legislation which was really – dates back in decades and policies that flow from that. So in World War II, we had a pretty clear idea of propaganda and CyOp and how to do that and had very good legal capabilities that allowed us to do that. That’s much more muddled and confused now. We saw that in Afghanistan in terms of could the commander make a radio broadcast or not, what’s CyOp and what’s not. What’s military information support operations? Where does information operation start and public affairs begin? There is a range of challenges out there, not all of which can simply be changed by a new field manual.



DR. ZAKHEIM: And the networks are different. They're larger and more complex. Were NGOs anything like as important 60-70 years ago? I remember seeing General Barno meet with a whole bunch of NGOs in Afghanistan. And that was fascinating because it was like two different planets all of a sudden sort of confronting each other. (Laughter.) But we have to deal with that. So – the world has just changed so radically that we just have to stay in front because, again, the product is great.

DR. BENSANEL: Right here on the aisle.

Q: Shiva Ranas (ph) from Walsh College. You have talked about the dysfunctions of the federal government very eloquently. In the Department of Defense, we have had the great privilege of having joint professional military education, really lead the federal government in teaching strategic thinking. But those days may be over, at least at some of the senior institutions, where the level of the commandants are being lowered and the prestige of the institutions are really very much in jeopardy. And I wondered if you would like to talk about that because I think it has tremendous strategic implications to the United States as a whole.

DR. ZAKHEIM: I'll talk about that and give Michele a chance to think about it. (Laughter.)

MS. FLOURNOY: Thank you so much.

DR. ZAKHEIM: What you're referring to, for instance, is the downgrading of the president of the National Defense University from a three-star to a two-star. Personally, I think this was a huge mistake and I'll tell you why. First of all, it's a signal that professional military education, which, by the way, really is a model. I mean I've argued for years that we ought to have that for our civilians. I don't think anybody should become an SES, senior executive service person, unless they've spent, A, some time in the civil arena, and B, some time at an institution of higher education. You can get your masters or something at the age of 23-24 and never take another class again and be responsible for high technology. It just – it blows my mind.

But when you lower the leadership of these institutions, you are sending out a signal that they're not important. And you know, those of us who visit particularly China and meet with their think tankers and meet with their three-star generals, who run these things and the four-star generals who are chairmen of the board, believe me, the Chinese are going to what's going on with these folks? Is this part of this decline of the United States? I think that the ramification of this, whoever pushed this did not think through all the second and third order ramifications. And I hope it can be reversed.



MS. FLOURNOY: The specific, that specific decision aside, I do think that with a – the biggest driver of the quality of the U.S. military has always been our people. And I think that the – one of the most precious aspects of the military culture is that investment in training and education over the course of an officer's lifetime or what have you, and I think that's something we have to protect, that investment in human capital. I think the brilliance of Goldwater-Nichols, requiring joint experience in education is part of what over the course of the generation gave us true jointness in the operations and practice of the military.

Now, we can always go further, as your good report points out, but I think the jointness we do have today is very much a byproduct of that investment in education and human capital development. And I would agree that we need to make the same kind of investment and create the same kind of incentive structure for the interagency, community writ large. If you tied promotion to SES to interagency experience in education, you, over the course of a generation, would get a fundamentally different level of competence and cohesion in terms of integrating all of the instruments of national power.

DR. BNSAHEL: I agree with what you've both said, but I would go even further and say that this type of professional education, particularly for DOD, but also across the interagency is becoming more and more vital. It's not just a matter of what we've already done, particularly as you start entering a much more uncertain strategic environment. It's that kind of education that gives, whether you're in the military or civilian, the tools to think about uncertainty, to be adaptive, to be able to think creatively on your feet about unanticipated problems. And so particularly as budgets decline, investing in this becomes absolutely critical to ensuring that we meet the strategic challenges of the future.

MS. FLOURNOY: And it can be done. I mean, you know, just my small little world of being under secretary of defense for policy, when I had over two years to cut my budget by a total of 20 percent, we actually managed to fence and increase the amount of dollars we put aside for training and professional development. So if you prioritize this and you understand the relationship between investing in human capital and getting premium performance from an organization, it can be done even at a time of budget constraint.

DR. ZAKHEIM: And as a comptroller, I can tell you, we could find the money. (Laughter.) Believe me. (Laughter.) But let me point out one of the thing that's terribly important and it goes to the question about shaping and it goes to the tweet about assistance. One of our most successful programs, that I met, the International Military Education Training Program. And part of that is we bring people, officers to say NDU and the other service schools. That's where they get exposed to our officers, to our way of life, to our values, et cetera.

Now if they perceive that these schools are somehow less important to us, they're going to be less important to them. They will go elsewhere for their education. We do not



have a monopoly on military schools. Many of our allies have these schools and many countries that aren't our allies have these schools. We want to get these people to come. And it isn't exactly the best advertisement to these folks when we say, you know, budgets are tight, so we're going to give up on some of this.

LTG BARNO: I'd just pile on by saying there is a problem and it needs to be addressed and this was a helpful discussion to do that, but it's going to take a spotlight put on it. It's the hedge against uncertainty in the future or mortgaging our intellectual capital if we're not careful.

DR. BENSANEL: Last question, but don't head for the exits, because we still have our bold predictions to make. Last question over here. No, no, sorry.

Q: Billy – (inaudible) – from Third Way.

Q: (Off mike.)

Q: Dr. Zakheim, you categorically said the DOD should get out of the nation building business because 18 and 19-year-olds are not trained for it, nor particularly good at it. Admiral McRaven recently testified that Special Operations are in some 70 some odd countries, very, very few of them are 18 and 19, and I would say they are some of the best at training and working with partner nation forces, which is very much a part of nation building, and in places like Iraq and Afghanistan, where 18 and 19-year-olds are training Iraqis – or, you know, used to train Iraqis and now are training Afghans through all the programs. They're doing a very fine job of that. So can you please build on what aspects of nation building you think that DOD should get out and who specifically should assume those roles in a high threat environment, where they don't have organic security?

DR. ZAKHEIM: You may have thought you were throwing a knuckle, but actually it's a soft ball. (Laughter.) First of all, I didn't say we should get out of the business. I said we shouldn't lead it. I don't think we're very good at leading it. The Special Operations Forces are actually terrific at the training that they do. They don't, for example, do what our reservists from Iowa and Indiana do, which is to train farmers how to farm. That's not what our SOF folks do.

And I would argue, to use that as an example, that the Department of Agriculture ought to be doing that. The problem with the Department of Agriculture is that they've never filled their quotas in Afghanistan and the people they sent they're people who know how to move inboxes to outboxes, which doesn't necessarily go corn. And so my argument is that we need to revamp AID and since you've given me the soap box, I'll tell you what I've told Raj Shah. We actually should use the Special Forces model in AID. AID has some terrific people working in an office called the Office of Transition Initiatives. Those



are the folks – primarily women – who work with the military, who risk their lives. Then they can't get hired by AID. They don't have the right quals. Don't ask me why, but that's the case. There're all contract hires. There're only six (govies ?) in all of this important office. Why not create a SOF-like progression for them so that you can actually make it, like Admiral McRaven to four-star as a deputy to Raj Shah, whoever the AID administrator is, in charge of this kind of work, so that it doesn't conflict with the long-term assistance that we've always done in places like Africa and Asia and so on? That's what I'm talking about.

Let us develop our capabilities. Let us not be so arrogant to think that we do it better than the EU or the Australians or the Brits or what have you because we don't always do it better. But that is not to exclude SOF and it's not to exclude us from doing this business. But we really need to fix a lot before we do it right.

LTG BARNO: Okay, it's bold prediction time. We're going to go down the panel and I'd ask each of you to give me your most outrageous, bold, audacious prediction over the next 12 months looking ahead. Nora.

DR. BENSANEL: I don't know if this counts as audacious, but I think the defense budget is going to get cut by a lot more than \$487 billion and I think that the way that DOD is going to make up the cost savings is by cutting ground force end strength significantly from the levels that was envisaged in January.

LTG BARNO: Michele.

MS. FLOURNOY: I hope she's really wrong. (Laughter.) I don't know how bold or audacious, but – well, it's bold in terms of its optimism. I predict that we will avoid just barely 11th hour, 59th minute, 59th second, avoid sequestration, not necessarily by having the big deal that we should have, but by some mechanism to kick the can down the road and by time. That, however, I also predict, if I'm going to jump, that if – if Congress only kicks the can down the road but doesn't actually deal with the fundamental debt issue and reach a deal that involves common sense compromise, revenues, and spending constraints that you will have a lot of first term congressmen. You will have an incredible public backlash for people not doing their jobs in Washington. And you will have a big change over the next election.

DR. ZAKHEIM: The price of letting a lady go first is that she sometimes says what you're going to say. (Laughter.) Those of you who are married know exactly what I mean. (Laughter.)

I also think that the sequester will not happen. I think it is really difficult to expect the Congress to do away with it between now and November, but I think the fear of what I



was talking about, the impact of these pink slips is going to get them to probably give themselves another year to work this out. Obviously, it will depend on who's in the White House, but I think whoever is in the White House will be seized with this issue. And I would say, as part of this, don't expect defense spending to go down as much as people are saying. I think that, in part, that has to do with what's going on around the world. And while I don't think and personally would not want us to get involved in Syria, just remember, when was the last time we predicted a war we got into? And I'll stop there.

LTG BARNO: My prediction would be the next war will not be in Asia, will be in the Middle East, and it'll be potentially as early as in the next 12 months and that the depth of the defense cuts will be actually deeper, ultimately then the deepest numbers we see with sequestration right now.

With that, we'll take a 10-minute break and please join me in a round of applause for our panel. (Applause.)

(END)