

Hard Choices: Responsible Defense in an Age of Austerity

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JOHN NAGL: Ladies and gentlemen, good morning. My name is John Nagl. And on behalf of all of us at the Center for a New American Security it's my great pleasure to welcome you to the launch of a new CNAS report, "Hard Choices: Responsible Defense in an Age of Austerity." This report is being issued on the 10th anniversary of the beginning of America's longest war, the war in Afghanistan.

I would ask all of you to join me for a minute in recognizing the sacrifices of those who continue to wage this war under very difficult circumstances. They're fighting to safeguard us against al Qaeda and other terrorist organizations in the region and to provide security and freedom to the people of Afghanistan. And it is fitting that we recognize their sacrifice even as we think about other emerging national security issues. As the war in Afghanistan continues into its 11th year, America faces a series of hard choices.

This is the first publication in a year-long series evaluating how the United States can responsibly ensure its national security in the face of growing pressure on defense budgets. Written by Dave Barno, Nora Bensahel and Travis Sharp, it takes a hard look at the cuts to the defense budget set in motion by last summer's Budget Control Act demonstrating that finding savings results in significant cuts in American military capability and the end strength of our armed forces and in the defense industrial base.

This report puts a face on specific programs and people that would have to be cut to achieve the budget cut bogies the Congress has imposed on the Department of Defense. These hard choices facing our department and the Congress will affect how and how well the United States is able to continue its foreign policy of global engagement for generations to come.

We feel fortunate that the CNAS writing team is joined today by Tom Donnelly of the American Enterprise Institute and Gordon Adams of American University. They will discuss the paper and the issues it raises for about half an hour before taking questions from the audience.

General Barno, the floor is yours, sir.

GENERAL DAVID BARNO: Thanks, John. And thanks to all of you for being here today. This morning we have a unique opportunity. Today is a chance to examine one of the most important national security decision points the United States has confronted in the last 50 years.

These decisions or hard choices, as we phrase them, will shape not only the future of U.S. defense for decades to come but in many ways will potentially reshape and redefine the role of the United States in the rapidly changing world of the 21st century.

The current debate that has seized our nation and our political leadership has to do not only with putting Americans back to work, about reducing exploding debt and annual deficits, about entitlements and taxes, about living, as a nation, within our means but it's also fundamentally about what the United States is and where we're going to fit in this new world.

The Congress of the United States, meeting in the Capitol building just behind me in the coming weeks, is unlikely to fix – and perhaps not even confront – the deep structural problems of revenue and entitlement reforms that are central to balancing America's budget. The fiscal liabilities are too large and seemingly too politically contentious. But they will reshape the U.S. Department of Defense, either by choice or by default.

And unlike the relative but inexorable decline we face in our global economic position over the coming decades, we Americans actually continue to choose our military position in the world. Today, there is a substantial risk that we will electively choose to diminish our military capabilities at the very same time we are involuntarily facing a decline in our global economic primacy. This truth should give us reason to pause and reflect.

We alone decide our military strength and our investments in the military. And we as a nation have always been willing to pay whatever it takes to secure our people and our freedoms. Yet today, driven in large measure by fiscal worries, we must ask: how much must the United States government spend on defense to secure our people, and how much risk are we willing to take?

Our report today lays out four illustrative scenarios within the current budget debate framework that we hope will help illuminate this uncertain and confused terrain. We recognize that we are in the midst of a debate about how much and how far to shrink – and seem to be doing so with little public discussion of the strategies, risks or vital interests that may be effected by these looming cuts.

Our report seeks to outline these cutbacks and identify that they have strategic consequences. We lay out in detail, what different brackets of cuts could actually mean to U.S. military capabilities, to a successful 65-year-old strategy of global engagement, and we attempt to articulate a number of the risks involved. Our assessment reflects both art and science, both subjective judgment of the authors and objective analysis by all of our staff as we've looked at these difficult issues.

The bottom line is that we judge that cuts exceeding about \$550 billion total over the next 10 years, without making substantial changes to military pay and benefits, will put our broadly successful and enduring strategy of global engagement at high risk.

A word here is critical about the people who will bear the primary burden of these impending changes in U.S. defense. Hundreds of thousands of young American men and women have borne

the brunt of 10 years of war that we commemorate today. Tens of thousands have been wounded and over 4,000 killed. They will continue to fight at the behest of our nation for many years to come, going into battle literally every single day in miserable conditions around the world, separated from their friends, their families, and their homes. Hundreds will not come back alive.

Any changes to the defense budget must keep faith with them, with their courage, with their sacrifices and their valor. They have carried the nation's water while the other 99.5 percent of us back here at home have gone about our daily lives unmarked and largely unaffected by these wars. Any defense drawdown must respect those who have served and continue to serve, and both shield and honor the deep sacrifices these warriors have made. We as a nation owe them at least that much gratitude. They have more than earned it.

Let me now introduce my two co-authors, Dr. Nora Bensahel and Travis Sharp, who will sketch out some of the highlights of the current defense debate and how we have chosen to address them. When they are finished, I will open a broader panel conversation up front for about 20 or so minutes, then save the remaining 45 minutes for your audience questions.

Dr. Bensahel.

NORA BNSAHEL: Thanks very much, Dave. As you all know, the current political climate in Washington is focusing heavily on the issues of government spending and debt reduction. And any debates about the future of the defense budget need to be seen within that broader context. If it is fully implemented over the next decade, the Budget Control Act of 2011, which was signed in August as part of the deal to raise the debt ceiling could lead Congress to cut defense spending by up to \$1 trillion over the next 10 years compared to what the Pentagon would have received if its fiscal 2011 base budget grew at the rate of inflation during that period.

Yet, as Dave noted, most of the debates over the correct level of defense spending tend to focus on the dollar figures and how they fit into this larger national budget debate rather than the effects that any spending cuts would have on military strategy and on the particular consequences for U.S. national security. Our report was in part driven by trying to spell out what some of those strategic consequences and tradeoffs might be.

Dave mentioned that the report provides four illustrative scenarios across a range of cuts that DOD could potentially face during the next 10 years. We start at what we think is the lowest level of cuts that's likely to happen between \$350 and \$400 billion. We deliberately use a range because we're not trying to make point predictions. We're trying to get a general sense of the trends and their consequences. And in our estimation, that's likely to be the lowest end of the cuts that are faced essentially because Secretary Panetta has already signaled that that level of cuts would be acceptable

to the Department of Defense, even though he has also said that anything further would be problematic.

At the high end, our fourth scenario looks at reductions of \$800 to \$850 billion. That's what happens if the congressional Super Committee that has been formed can't reach a deal.

We then pick two midpoints basically evenly spaced throughout those – \$500 to \$550 billion and \$650 to \$700 billion. For each one we identify what we think are the best possible ways to cut military force structure, end strength, procurement, overhead and cuts throughout the defense department, defense-wide cuts. And we identify the strategic risks and tradeoffs that might result. We do not include in our scenarios possible cost savings from reforming military pay and benefits. In part that reflects our judgment that these are the programs that Congress is less likely to adopt rather than cuts to the other things that I've previously mentioned largely because there are tremendous political obstacles to touching those benefit programs.

We do note in our report, though, that any savings that are generated by Congress in reforming those programs could be used either to offset some of the programmatic and personnel and force structure cuts that we talk about in each of our scenarios, or could use funds from that to generate additional savings from the DOD budget in future years.

We made our decisions about what to include in each scenario and what to cut. According to several strategic principles, again, because we wanted to bring in as much strategy to this process as possible, and we identify five throughout the report.

The first is that decreasing resources will require U.S. decision-makers to prioritize to key geographic regions more effectively. We argue that the U.S. military should focus more on the Western Pacific and Indian Ocean and broaden engagements there because U.S. political, economic, and security interests will increasingly be affected by development in the Asia-Pacific region.

The Middle East will also remain an area of vital interest second only to the Asia-Pacific region in our judgment. Europe should be considered a tertiary priority. When budgets get tight and resources need to be allocated and all other areas of the world need to be considered as the lowest priority where the U.S. military should only focus on addressing specific threats to vital U.S. national interests.

The second strategic principle is that naval and air forces will grow increasingly important in the future strategic environment. This recommendation is not solely driven by our recommendation to focus on the Asia-Pacific region which, of course, is an area that is a primarily maritime and air theater of operations but it also reflects our judgment that the size of the ground forces can be

reduced with less risk than naval and air forces. Reducing ground forces certainly does incur risk since the United States needs its ground forces to deter aggression around the world and to respond to unanticipated conflict. Yet, we judge that this is actually less risky than cancelling their naval and air modernization programs which require years and even decades to develop. The U.S. military can generate additional ground forces more quickly than it can procure additional air or naval capabilities, especially once production lines close for those capabilities.

Third, the U.S. military should increase interdependence across the four services and strengthen the continuum of service between the active and Reserve components.

The U.S. military today possesses many expensive and redundant capabilities that discourage interdependence – otherwise known as “jointness” in the military – among the services. These redundancies do provide some hedges against risk, but in the current fiscal environment, these redundancies are no longer affordable. Greater jointness, such as having Army helicopters fly off Navy carriers, for example, can achieve comparable warfighting effectiveness at much less cost. We state that the Army and Marines should transfer more of their expensive heavy capabilities, including armor and artillery, into the Reserve component as a way to reduce costs while still hedging against the possibility of an anticipated ground conflict. This would require both the Department of Defense and Congress to continue improving the policies that support having an operational Reserve component.

Fourth, the U.S. military should generate requirements for new weapon systems based on realistic assessments of threats not on the pursuit of maximalist capabilities.

During the Cold War, military capabilities were based on the threat posed by Soviet capabilities. Since the end of the Cold War, however, the requirements process has no longer been disciplined by threat considerations. This has led the services to generate requirements that are often unmoored from technological limits and defined enemy capabilities.

In fact, in 2009 Secretary Gates criticized the growth in what he called “exquisite” requirements that only fill narrow needs and don’t consider affordability.

Since defense budgets are likely to remain constrained for years to come, DOD should return to a more restrictive requirements process that prioritizes capabilities that can meet the most serious threats to U.S. vital interests.

Fifth and finally, in the absence of near-term threats, DOD should pursue research and development to build a bridge between current weapon systems and highly capable future systems. The U.S. military should increase spending in research and development programs and potential

breakthrough technologies in areas such as unmanned combat aircraft and unmanned submersibles in order to ensure that innovation continues in those areas. The technologies in those areas and others can deliver as yet unimagined capabilities which could profoundly affect the way that the U.S. military operates in the future.

The services need to accept a degree of higher risk absent a proximate short-term threat and invest in more targeted threat-focused research and development programs over the long term.

With those strategic principles in mind, I'll turn it over to Travis to talk about some of the details of each of the four scenarios.

TRAVIS SHARP: Thanks, Nora. I want to sketch out three of the themes that emerged from our report. First is the golden ratio. The second is the ratio between combat forces and support forces. And the last is some of the consequences that we see for our combat forces.

Since the end of World War II, the defense budget has been roughly allocated according to what I call a golden ratio: 30 percent for the Army; 30 percent for the Navy; 30 percent for the Air Force; and 10 percent for defense-wide activities.

This ratio is actually more complex than it first appears. The Army budget supports a much larger Reserve component than the other services. The Navy budget of course supports two services: the Navy and the Marine Corps. And the Air Force budget supports space activities and other programs that support a joint force.

Historically, there has been some variation in the services' budget shares. For example, the Army received the most funding during the Korean War and also since 9/11. The Navy received the most funding during the Carter and the Reagan administrations. And the Air Force received the most funding during the 1950s and 1960s, when the U.S. military was pursuing the acquisition of the Air Force nuclear bombers and ICBMs as we were engaged in an arms competition against the Soviet Union.

The Army's budget share has declined after the Korean War, after the Vietnam War, and after the Cold War. And it appears that a similar decline in the Army's budget share is on the table today.

Now, from a civilian defense planning perspective, I can say that it's very tempting to return to the golden ratio. That's because the nation obviously needs a full complement of ground, naval, and air forces in order to preserve its national security. But dividing budget shares evenly also tends to minimize the inter-service rivalries for resources. It doesn't eliminate those rivalries of course but it can minimize them.

In our report, however, we argue that the U.S. military should prioritize its air and naval forces as we pursue this budget build down largely because of the importance we attach to the Asia-Pacific region.

However, I think implementing this prioritization will be very difficult for several reasons. The first is that we're obviously still in the middle of a ground war. The second is that the ground forces have sacrificed a great deal since 2001. And I think it would be immoral to ignore that sacrifice as we make these hard choices. Third, ground forces traditionally have been needed unexpectedly and we really have no way of forecasting what types of contingencies may appear.

Naval and air force are capital intensive and they're very expensive and our nation is obviously facing severe budgetary constraints. There's a lack of agreement today about which threats the nation should be prioritizing. And when there's a lack of consensus about threat assessments, it's very difficult to prioritize resources accordingly.

Lastly, if you look at public polling, the American public actually identifies the Army and the Marine Corps as being the most important services for U.S. national security. The Air Force and the Navy rank below the Army and the Marine Corps in Americans' assessment. All those factors will make the golden ratio very difficult to break, but in our estimation, it's necessary to do so.

In terms of a tooth-to-tail ratio, "Hard Choices" depends on defense-wide savings in order to generate the bulk of its cuts. Between 64 and 73 percent of our total savings come from these types of defense-wide activities. Now, there are some overhead categories that we go after and this includes things like contracted services, overhead for IT support, maintenance, facility upkeep, other things like that. The Department of Defense spends about \$200 billion per year on those types of activities. And we think that there is sufficient or there are significant savings to be found there.

However, I think it's very important to note that our report uses targeted percentages to accounts that are not overhead in order to generate some of its savings. Those include research and development, other procurement, and a few other categories. It is very difficult for the Pentagon to build its budget according to targeted percentages. It's what we call a haircut. That's not the way that the Pentagon makes its budget.

Now, if we had a 10-year timeframe in which we could gradually draw down the defense budget, going after these targeted percentages might be more possible. However, the Budget Control Act creates a sequestration process where the defense budget will be pushed off a cliff. The danger is that because it takes a long time to generate overhead and defense-wide savings, and it also takes a long time to implement reductions in personnel, the Department of Defense could be put into a position

where it has to cut into research and development and procurement in order to generate savings in the near term because it takes more longer to generate those other tax and savings. So I think the investment accounts are definitely at risk in the near term.

The last thing I wanted to talk about was some of the consequences that we see for our air, naval and ground forces. As you cut deeper into the defense budget, our report outlines that there will be fewer naval vessels to maintain forward presence in key regions. And you can use alternative forward basing and crew rotation models to mitigate the impact but as the cuts get deeper, the sheer lack of vessels makes it very difficult to execute a global engagement strategy.

In terms of air forces, as budget cuts increase, the United States is left with fewer stealthy strike fighters. Cutting the number of stealthy strike fighters that we're procuring risks breaking faith with our partners in the F-35 program, it increases the risks to American pilots in heavily defended environments, it limits our ability to conduct combat operations in multiple theaters, and it could potentially eliminate the Marine Corp's fixed-wing strike capability.

Finally, in terms of our ground forces, as budget cuts increase, we will be left with fewer soldiers and Marines. Major ground operations would require significant time for mobilizing Reserves and the U.S. military might not be able to respond quickly or with enough force in order to prevent an adversary from seizing territory, which could leave us facing a much bloodier conflict in the long run.

Those are some of the general themes that we outline in the report. I'm going to turn it back over to Dave to ask through some of our questions.

GEN. BARNO: Let's open up the dialogue a bit here at the front table and examine some of these suggestions that we're got out here. Yesterday we had an interesting evolution in the current political debate. Governor Romney has come out in reporting, I've read this morning, suggesting that the Defense Department should not be cut. In fact, it should be increased. And he suggested pegging overall defense spending to about 4 percent of the GDP.

Governor Huntsman on the other side has suggested that there is room to find efficiencies and cuts to the Defense Department in remarks in the last 48 hours as well. And actually suggests a different global strategy that's focused more on economic development. Tom Donnelly, who's right?

TOM DONNELLY: Well, I know who I'm voting for. And I can tell you who's going to be the nominee – who's not going to be the nominee for the Republican Party. But I think Governor Romney's remarks are most interesting in that it suggests that the current political climate is not a geological ice age but an act of politics that could actually change if there's a different president.

Then there'd be different presumptions about what the appropriate level of defense spending should be and a different view about what American strategy should be, which I think is actually the biggest value of this report is that it puts ends and means together, links strategy and resources in a way that's really critical if this is going to be more than an accounting drill but actually a reappraisal of American strategy.

Now, you might be surprised to learn that I have a different view of what American strategy should be. I think actually the report calls for a pretty fundamental reorientation of American strategy in that particularly the emphasis on East Asia versus the greater Middle East reflects both the coming in prejudices of both the Bush administration and the Obama administration, yet reality has pulled them back in quite a different direction. So I would think it's worth questioning and maybe later in the conversation we could talk about what we think would actually happen in the greater Middle East with less American presence.

And, of course, the underlying question is: are these sort of see there are approaches to things, can you really disaggregate American strategy? Is it a lump of commitments and promises, a lump of desires, or is it a system? Is it a one-zero proposition, a system that either works adequately or doesn't work very well at all, or is it something that you can pick at, like one of those puzzles that you can take pieces away from? I think we should have that conversation actually before deciding what budget levels should be, what forces should look like.

Finally, it's important to know actually where we're beginning from. The current cut from the Pentagon, the target figure is now up to \$489 billion, not \$350 billion. So we're already starting from pretty close to the figure identified in the report as the tipping point where we don't have a choice about whether we're capable of executing our traditional strategy or not.

So I'll leave it at that. I've got a lot more notes and I'm sure we'll get to them in the course of the conversation. I do want to say this is – we can haggle over the details but it's the important moment to actually have this conversation. This is a conversation that's been too long postponed really since the era of the Cold War. So I salute you guys for stepping up to the plate and inserting yourselves in the conversation.

GEN. BARNO: Well, Gordon, the debates are going to be going on here today and in the coming weeks on Capitol Hill. Any prospects for increasing the defense budget? And is that necessary?

GORDON ADAMS: Well, you won't be surprised to hear me say no, it's not necessary. But the debate will go on. And I think in part we're being treated to what I like to call sometimes an Indonesian shadow play. If you know anything about Indonesian shadow plays, there's a screen

that's put up and then a back lighting behind the screen and people take little – two-dimensional hand puppets and they move the pieces up and down. And outside the audience looks like there's a fight going on, or an argument going on, or a battle going on, or lovemaking going on, or something going on, but it's really just two dimensional puppets. And we're seeing I think right now a kind of an Indonesian shadow play in the debate over defense and part of the debate over the budget as well.

Let me start with the proposition that you put to Tom. Romney is irrelevant and Huntsman is right. That's not a political statement. That's an analytical observation. George Romney would no more accept 4 percent of GDP if the GDP were declining than fly to the moon. Pegging defense to GDP is irrelevant. Huntsman is right. Things can be cut, but he's also irrelevant politically because, as Tom says, he won't be the nominee. But what they are pointing to is a reality and this is the reality behind the Indonesian shadow play.

The reality behind the shadow play is that the defense budget is going down. We are in a builddown. Make no mistake about it. It's almost not possible to answer the question should it go up because it won't. It will go down. And the real question is how far is: it going to go down, and not even how far should it go down.

If we look historically – and people tend to lose their memory bank here – I'm often struck that every time we go through one of these 20-year cycles in defense, all of a sudden, everybody comes rushing out with the fire engines and says they're running out of water in the fire station and the world is ending as we know it, but we have done this three times already since the end of the Korean War. We have done builddowns and we are in another builddown.

I do not believe there will be a sequester. So the fire alarm that says, oh, my God, a sequester will be the worst thing to hit defense since the end of sliced bread is just irrelevant. That's Indonesian shadow play. The fact that they put a January 2013 date on when a sequester would actually happen should be a signal to you that a sequester is not going to happen. There's an election between now and then, which will drive a lot of where we're going to go, not particularly the observation or the risk of a sequester. So the fire alarm around the sequester is to my mind not the point.

The reality is the budget is going down. And if you look historically at our experience of builddowns, which I like to do because I'm actually old enough to have lived through all of them, including the one after the end of the Second World War. No, I wasn't very conscious of the fact that there was a defense builddown going on then but I was alive. (Laughter.) I was somewhat more conscious after Korea, completely conscious after Vietnam, and certainly involved as the OMB associate director for five years in the builddown of the 1990s.

So I can tell you builddowns happen. And we survive them. They happen deeper than anything that is projected in this report. They happen deeper than anything that the Defense Department says they are building down to.

In the 1990s, something I will call – and I’m prepared to discuss this in detail – the best managed builddown in American military history, in that period of time, when I came into office in 1993, Colin Powell and Dick Cheney, known softy on the defense budget, had actually already cut 25 percent in constant dollars in the defense budget and taken 500,000 people out of the active duty force before Bill Clinton even entered office.

By the end of that builddown in 1998, 700,000 people had left the force, 300,000 people had left the civil service. The budget had gone down 36 percent in constant dollars between 1985 and 1998. And procurement had gone down 50 percent in constant dollars between 1985 and 1998. And we survived that builddown.

The force that survived that builddown was the force that used Saddam Hussein as a speed bump. It was a manageable builddown. The size of the wedge between 1985 and 1998, if you looked at projected defense budgets in 1985 through ’98, the size of the wedge between the appetite and what happened was \$1.6 trillion.

Now, we’re talking right now about \$1 trillion as a potential consequence of a builddown. And I’m here to tell you on the basis of no policy desire whatsoever that’s likely. That is likely over the next 10 years. And it is approximately 17 percent of the currently projected defense resources over the next 10 years. So at a 17 percent rate, we are well below any of the three previous builddowns, which are between 28 and 30 percent decline in defense resources in constant dollars over a 10-year period.

So just statistically, just historically, that’s the terrain that we’re in. The rest of this, in my judgment, is largely a shadow play. It’s not about arguing for a share of the GDP. It’s not about arguing about a sequester, even if the Super Committee doesn’t agree.

I predict based on history, based on experience that we will go down about \$1 trillion, somewhere give or take, over the next 10 years in defense resources. So where I find the report useful, even though I disagree with the conclusion that 550 or bust is the answer, what I find useful is it begins to lay out some of the things that you would have to do in a builddown. And that’s a good thing because we will have to manage this builddown.

And so, as I look at the report – and we can talk more about it in a moment because I don’t want to just filibuster – is the categories that they talk about are the right categories – force structure always

goes down; procurement dollars always go down and choices have to be made; overhead has to go down and choices have to be made.

One of the things I actually like very much in the report, although you downplayed it in the presentation in the report, is that there are substantial reductions in civil service in the Pentagon and in commercial activities in the Pentagon, and even a suggestion, though I think more could be done, about what you do with that more than a third of the active duty combat force that is never deployed because they're running the back office. How you bring down the overhead, the infrastructure in the Department of Defense is going to be a very important part of managing this buildup.

GEN. BARNO: That's a sobering view for all the defense professionals here, I think. But it also brings out some interesting looks if we just go back over the last 10 years. And since 9/11, since we're commemorating the beginning of OEF, Operation Enduring Freedom here today, the defense budget since that time has gone up in real terms about 40 percent, not counting the costs of the two wars in Iraq and Afghanistan. Overall, it's gone up about 80 percent plus to include the so-called overseas combat operations. So we've seen a large expansion in the defense establishment over the last 10 years, not just related to the wars out there. So why is it so hard to cut?

Nora, what's driving – what's different now perhaps compared to those drawdown decisions made in the '90s and why is defense so difficult to actually get into a smaller box?

MS. BENSANEL: There are a lot of reasons why it's difficult, but I'll focus on two primary ones.

The first is that although Gordon is absolutely right about the numbers, there is something qualitatively different about this drawdown. The services are coming out of this period of great growth in resources without having fully recapitalized their equipment. And particularly the Army is not coming out of this conflict with a brand new, shiny force that is capable of doing lots of things. It hasn't replaced a lot of its equipment. A lot of that equipment has been run down during the course of operations, and so on. And similar things are true for the air and naval services in terms of delaying procurement and being behind schedule on a lot of very, very expensive capabilities.

So the force as a whole does not have the advanced equipment that it necessarily had at the end of some of the past drawdowns. And in particular the Army is in a much worse situation I think than in the past.

So there are calls for increasing defense spending or at least mitigating some of these cuts in order to make those investments that have been deferred over a decade of war.

The second reason that I think is perhaps even more important than the first is that we don't know what the future threats are going to be, right? We're in a very different environment now than when we faced a Soviet Union that we were clear – it was clear that that was going to be the major enemy that we were confronting. It's not clear what the threats are for the future. We know that there's an increased threat from non-state actors and al Qaeda-type actors, but it's very difficult to know how that threat will materialize, especially if you're looking out over a 10-year timeframe as we do in the report. It's difficult to know what other countries' capabilities are going to develop, what unforeseen circumstances might arise that would change fundamentally our strategic viewpoint.

And so there's a legitimate reason to be hesitant about making these kinds of cuts because you don't know exactly what you're going to need in the future. And so any of the cuts – and we do identify this in the report – any kind of defense reductions, particularly compared to the planned levels, involve accepting more risk. And that's a very, very difficult thing to do for military professionals who for obvious reasons don't like risk, like being prepared for the contingencies that they're going to face. And it's also a really difficult sell on Capitol Hill because no politician wants to be accused of having presided over a series of defense cuts that in retrospect will be accused of having cut the force too deeply. So there are some very, very profound dynamics going on about why it's so hard to do this.

GEN. BARNO: And those defense dollars are being consumed in a different way today than they were 10 years ago. If we were to take, for example, a thought that we should simply go back to the defense establishment we had with the military services of September or August of 2001, those forces would cost a much different figure than they did back then, even in real dollars.

Why is that, Travis? What's driving that? And, Gordon, I'll let you comment on that too.

MR. SHARP: First of all, in real terms, defense-wide activities have grown by 79 percent over the last decade. The only thing that's grown more than that is the Army's budget, obviously. I think an important point to inject here is the staggering mismatch between the Pentagon's plans and its resources.

If you look at the Congressional Budget Office's recent report, it projected that the Pentagon will need \$480 billion in additional resources, beyond what it would receive if its fiscal year '11 base budget was inflated at the rate of inflation in order to execute its plans that are currently on the books. What it already wants to do is going to cost more, much more money than it would receive if it received an inflation adjusted budget. And, of course, there's an excellent possibility that the budget could go down.

So, what we're facing are plans going like this (*motions downward with one arm*) and resources going like this (*motions upward with other arm*). And my concern is that it becomes increasingly difficult for the Pentagon to execute its strategies because it's not making realistic assumptions about resources, and I think that's a problem.

GEN. BARNO: Gordon, comment?

MR. ADAMS: Yes, several points on this because they're all important points to have out on the table in this discussion.

The first thing I would say, just with response to what General Barno said, I think it's important to count the supplementals. It is an 80 percent or so constant dollar growth in the overall resources. And the reason I say it's important is because substantial investment in overall defense capabilities has been done through the supplementals. The supplementals are very fungible. And while they do support war and there are additional war costs, when I went into the transition at OMB in December of 2008, we had to write a whole algorithm for how to limit and constrain supplementals because they had been so used, used in other words to fund things that would not fit into the regular budget. So basically from the military's point of view, they're fungible.

Second, on a qualitatively different builddown, this an important point because every builddown has slightly different parameters.

But on the two points that Nora raised, first, equipment recapitalization. Yes, we've run a lot of equipment through Iraq and through Afghanistan and we have spent over the past 10 years over \$1 trillion on procurement. We must have spent it on something. And indeed we have. We will be much more vigorous about this next week when we release a report of the Stimson Center on what we spent \$1 trillion on.

But among other things, what we spent it on was putting the entire inventory of tanks, Abrams tanks and Bradleys through a complete upgrade and modernization cycle, such that the Army has no particular plans now to push any more of them through, that complete upgrade and modernization cycle we effectively have new generations of both vehicles through modernization in addition to Strykers, in addition to up-armored Humvees. And we could go through the other services and will in that report, but we have in fact substantially modernized the inventory of the American military over the last 10 years wisely, using resources that were surplus coming through the supplementals to do it. So the Army has been actually very smart in that regard and actually modernizing its equipment inventory as we've been going through these periods.

On the other point that Nora raised that we don't know what the future is, regardless of whether we know or we don't know, the budget's coming down. And this was true in 1989. We didn't know what the threats were. We didn't know what the future was going to be. We never do.

And, in fact, in some ways you could say today we live in a much safer world than we lived in 1989 that is a very good time to accept risk in the environment. And all of this is about – and I commend the report for saying this – all of this is about risk. It's the one thing the QDR did not do. It did not evaluate, prioritize and accept risk appropriately. This report at least takes a step down the road of accepting risk.

Last footnote with respect to the question of CBO saying we're underfunded. I can't tell you how many years CBO has been saying that the defense program is underfunded. Decades it has been saying the defense program is underfunded, decades. And somehow, we still have in place the only global military in the world, the only one that can deploy globally, fly globally, steam globally, maintain global infrastructure, logistics, transportation, communications, and intelligence, the only one that tries throughout decades of being told it was underfunded. It's kind of like Galileo and whether the earth goes around the sun or not, and yet it does.

It continues to be a staggeringly powerful military regardless of CBO's perpetual motion machine – which is quite mechanical – that says, if you simply reproduce the force in place today by replacing it with everything that you've got in place today would cost 10 percent more, 20 percent more than what we currently have in the FYDP. Historically, as I said at the beginning, the budget goes up and down, and we retain a highly capable force.

GEN. BARNO: Tom, quick comment, and then I'm going to turn to the audience for questions.

MR. DONNELLY: Yes. Just to be brief because there's so much to talk about, the underlying point is that we should just not be counting dollars, even real dollars. This is a question about affordability. What things cost in 1990 is not really that relevant to what they cost today. My house has appreciated in real value if you count it in dollars. Don't ask me about my mortgage.

The costs have gone up in real dollar terms, but the affordability has actually gone down because what affordability is best measured by is its slice of American wealth; in other words, what do we have to give up to afford the military that we need? So while the dollar costs have risen a lot, even in real dollar terms, the slice of the pie – because the pie has expanded a lot since 2000 even, and certainly since the end of the Cold War – the amount of our wealth that we have to give up to maintain the military has diminished.

So if we were talking about trying to get the base budget to 4 percent, we're a long way from where Dwight Eisenhower was when he was trying to get it down to 9 percent of GDP. We can afford the force that we need.

The question is really can we afford the other things that have expanded much more rapidly, the other government services that have expanded much more rapidly. So constant dollars, real dollars are one benchmark but they're not a benchmark of affordability necessarily.

GEN. BARNO: Let's hear from you now, from the audience. We're going to open it up for questions. What I'd ask is for you to raise your hand. We have microphones positioned around the room. We'll bring one to you once I designate the questioner. And if you would when you stand up, please let us know who you represent and please phrase your remarks in some way as a question, with a question mark at the end. (Laughter.)

Q: Good morning, sir. Excellent panel. You talked about previous drawdowns.

GEN. BARNO: Can you tell folks who you are? I know who you are but they don't.

Q: George Nicholson with StratCorp. You talked about drawdowns. The session that CSIS had last June with John Hamre chairing the panel with the former Chief of Staff to the Air Force David Chu, and Sean O'Keefe, they said their big concern was in the past, when we've had these drawdowns, there's been a full war. We had global war with the Soviets, Pac plus – (inaudible). Then we had the bottom-up review then we had the two MTWs. That's not there, and they expressed the concern and they said what was even more concerning is the lack of a strategy. But back in June they said they had the confidence that we would have new strategy by October the 1st.

In the confirmation hearings for Ash Carter, Senator Levin asked the question, where is the strategy? At a breakfast two weeks ago, the ranking member of the House Armed Services Committee, Congressman Smith, said where is the strategy? How can you expect us on the Hill to make these decisions when we don't know what's your strategy? At the session they had on Wednesday, the former Deputy Secretary of Defense Bill Lynn was asked that question. And he said, well, that's been slipped to probably when we submit the FY '13 budget.

So in terms – how would you answer the Hill about how they can weigh in on this – of how they're going to prioritize what the strategy is?

GEN. BARNO: Tom, you want to take that?

MR. DONNELLY: Yes. Just this awakes past experience for me. A year ago I helped out with the Quadrennial Defense Review in the panel – Secretary Perry, Steve Hadley, you know, 20 deeply experienced defense hands in Washington, they came to exactly this point. They were briefed in the QDR, the national security – (inaudible) – went back and read all the old ones and basically at the end they're scratching their head and said, this is mush. This means nothing. What do we do?

So what the panel did was it said, let's deduce from our behavior what our strategic habits have been. And actually they are very consistent and have been since the end of World War II. So it's much better when you're trying to look for a benchmark to look at what we do rather than what we say. And that's remarkably consistent from administration to administration, quite surprisingly, certainly surprising to some, to include the Obama administration behaved remarkably consistently with American presidents going back 60 years.

So let's not invent a new country. Let's not admit – you know, pretend that there is a risk-o-meter or a strategy lever that's perfectly sensitive and we can calibrate quite so easily. The question is: how are we likely to behave and what outcome do we want from the process. And if you can look that squarely in the face, then it's pretty easy to figure out what you need to have a reasonable presumption that you can preserve that.

GEN. BARNO: Nora.

MS. BENSAHEL: You're right that strategy needs to come before resources in the logical order of things. The reality that we're in now is that the numbers are going to come first. That's just the way that it is for a variety of political reasons.

I think Congress to some extent is partly responsible for the fact that it's hard to make these tradeoffs because the last Quadrennial Defense Review was prohibited by Congress from considering resource constraints. I mean, they were not allowed to consider the affordability of the types of things that they were talking about. And so one of the points we make in the report is that you can't think of – you can't use the QDR as the benchmark of what the national strategy is anymore because that was done deliberately and it would have been illegal to do otherwise to consider the effect of resource constraints.

MR. ADAMS: Can I say something on that point?

GEN. BARNO: Yes. Go ahead, Gordon.

MR. ADAMS: Just one thought on strategy. Bernard Brodie, who is one of the great thinkers about nuclear relationships, nuclear deterrence and strategy over the years – late Bernard Brodie – once wrote a book of which one title, one chapter title was “Strategy Wears a Dollar Sign.”

Anybody who thinks you can strategize independent of resources and then nail resources to the bottom of the strategy doesn’t understand defense strategy. Strategy is always resource constrained. You’re always going to have ideas about what strategy should be and you’re always going to have to live within resources. Again, I say that’s why I think the report is of great value is because of the calculus for deciding how much strategy you’re going to invest forces in is based on a calculus of risk. And the report underlines the fact that the risks increase as you decrease your military capability.

My own personal belief is that they do not decrease anywhere near to the extent that the report suggests at \$550 billion over 10 years but strategy always wears a dollar sign. And our strategy I don’t think has been anywhere near as consistent as the independent review panel for the QDR suggested that it was.

If you look at the major points of inflexion in defense builddowns over the past 60 years since the end of the Korean War, at each point there has also been an inflexion point with respect to strategy. And each of those points was under the presidential leadership of a Republican. Eisenhower shifted strategy from ground forces to massive retaliation. Nixon shifted strategy from presidents to surrogates. George H.W. Bush shifted strategy in part with Congressional help because Les Aspin played a very important role in that in hearings on the Hill so the Hill can play a role here if they choose to.

I don’t think Buck McKeon is a great strategist but if the Hill chooses to it can engage in strategy review and analysis. Nunn did it. Aspin did it. It’s possible to do. But in the Cold War era it was the end of the European deployment and the European focus of American strategy. And those forces came down. And one MRC, two MRCs near simultaneously, base force were the results of that strategic review. We’re in another one of those inflection points where we have to both look at strategy and at the fact that it wears a dollar sign.

GEN. BARNO: Quick -- (inaudible) -- then over here.

MR. DONNELLY: Yes. Gordon leaves out like half of the history of the past 60 years. It seems to me like –

GEN. BARNO: This may be a longer debate. (Laughter.)

MR. DONNELLY: Look, I mean, hemlines have gone up and down. Harry Truman oversaw NSC '68 and the Truman doctrine.

MR. ADAMS: The last strategic document we have.

MR. DONNELLY: What about massive or flexible response during the Kennedy years and so on and so forth? But the point is that often, after a builddown, we discover, oops, there are things that we think we should do, like Korea, for example, or even Vietnam, or Iraq after 9/11.

MR. ADAMS: Careful. We chose those wars.

MR. DONNELLY: That's exactly my point.

MR. ADAMS: We chose those wars. We were not dragged into those wars by – (inaudible).

GEN. BARNO: Let's press on here. We have a question in the corner over here.

Q: Ryan Jacobs, intern at the House Armed Services Committee. Something that I see as perhaps absent from the discussion so far, but is inherently linked to what we are discussing, regards what's going to happen with DOS and USAID, because – and when we're talking about these drawdowns and these builddowns, in past cycles, is it not that diplomacy and the need for crisis prevention through diplomacy becomes more important because the capabilities we have are not what we wanted?

So I was wondering if you guys could comment on that dynamic and also talk about the history and if diplomacy historically takes more of a role when we are in those builddown phases? Thank you.

GEN. BARNO: Let me start there and then open up to other folks. I think clearly the importance of diplomacy is going to have to increase in the world we're going into. The challenge we're going to find in this real world of budget cutting is that the State Department budget is going to come down. The budget for USAID is going to come down. We've seen that even this year in the current fiscal year.

And so whether the wisdom would suggest we should go in a different direction or not, the reality of how the Hill works and how budgets work suggest to me that we're going to see a shrunken State Department budget and probably a dramatically shrunken USAID budget, simply because of the nature of the political support for those two organizations and how they're viewed vis-à-vis the Defense Department.

Whether that's right or not, whether it's prudent or not, I'll leave it to others to judge. But I'd predict that's likely the direction we're going to go in, even though the demands on them, particularly on DOS, the State Department may increase.

MR. ADAMS: I agree very much with what Dave said on that. The sad part is we do not generally historically increase resources on the civilian side of the toolkit. We decrease resources on the defense side. And it's at least in part for the reasons that they've suggested, that the lack of a constituency to support increased funding on the civilian side is an enormous disability that the civilian instruments have, and we are almost certainly headed in that same direction today.

When the Appropriations Committee in the Senate had to reach the fiscal '11 appropriations level in order to stay under the security cap, they took three-quarters of the reductions they had to take from Function 150, from state USAID, from the international affairs accounts. Only a quarter from the other agencies that were involved in the strategic cap, none of it from defense, right? Only the MILCON piece took a \$600 million hit.

So the choice is always at that point. It's a very important point, however. And I thank you for the question because when we think about strategy, most of our strategic thinking in this country is done in the context of a Defense Department box. Most of our work on strategy is done in a Defense Department box. Most of the conferences and large events are done in the Defense Department box. And yet, anybody who knows the history of strategy will tell you that defense is only one instrument of statecraft. It's the 800-pound gorilla in American statecraft, but it's only one instrument.

So thinking about what made the National Security Memorandum 68 a truly strategic document was that it was not about purely military engagement. It was in fact a document that engaged all of the instruments of American statecraft, largely crafted by people on the State Department side.

GEN. BARNO: Let's go over here with the red tie there. Robert.

Q: I'm Robert Haddick. I write for Foreign Policy. Tom Donnelly, you just mentioned habits of behavior by policymakers. One concern that could occur through this process is that capabilities would be drawn down over time, but the habits of policymakers will continue.

For example, taking the report's recommendations, the logical decision of the strategy would be to no longer participate in PANAMAX, Unitas exercises in Latin America, no more cooperative engagement in the Gulf of Guinea, no more counter-piracy patrols off of Somalia and so forth because these are low priority issues.

But if policymakers say we must continue these things with no capabilities, the consequence would be over-deployment of the force. Some people believe that the Navy is already deploying too much. And, as a consequence, maintenance is not done on the ships and they're being ground into dust.

So could you talk about how you could actually get policymakers to change long patterns of behavior when forces are not what they were before?

GEN. BARNO: I want to push that over to Travis. But I would note up front that the report doesn't have recommendations per se and that we lay out some different illustrative options, illustrative scenarios to think about.

But your point is a very good one. One person recently characterized the U.S. strategy, for the U.S. military strategy was being able to deploy anywhere in the world at any time to do anything. And that's probably an outlook that we're going to have to constrain a bit given where we're going in the budget. Travis.

MR. SHARP: Yes. I think from the military's perspective, that's one of their major concerns, right, is that if you start to go farther into these budget cuts, it really does demand policymakers to be much more disciplined in what they ask the military to do. But historically we've not seen that discipline.

And so I think the military really fears that their capabilities are going to be reduced but then they're going to be asked to continue to execute this expansive strategy and these various missions that are really going to put them at high risk.

I think in our report, just to give one specific example, we outline some potential reductions to amphibious capabilities that may occur if budget cuts go into the further end of the spectrum.

And, you know, I think it's pretty clear that if we do reduce in those areas, that policymakers in the United States need to be prepared to sit aside and watch as innocent people in other countries are suffering because we are unable to do the humanitarian assistance and disaster response type missions.

Are we as Americans prepared to make that tradeoff? I think it's really easy to say in an academic setting that, yes, we're prepared to make those types of disciplined choices. But I think historically, American policymakers have not been able to stand aside and watch innocent people suffer. So that's the type of tradeoff that we're talking about here.

GEN. BARNO: Way in the back there in the center.

Q: My name is Chris Wiley. I'm with the Bertelsmann Foundation. And I had a question for anyone who really wants to pick it up, specifically geared towards Europe.

I know in the report it says that by all means we should be considering Europe and the expenses in Europe a tertiary concern. But we're doing a little bit of work on this ourselves at the foundation in terms of where money will be going to Europe, if it's being cut, if it's not being cut.

And if you look at what's coming out of the appropriations committees in both the Senate and the House, certainly over the short term, the immediate short term of, let's say the next year, possibly the next year or three, all evidence suggests that is not happening, that the political will in Washington and that the military will on DOD side is not towards treating Europe as a tertiary concern, that there are in fact very little amounts of money being cut.

Say for I think the largest cut that one can point to is coming in 2015 which is when one of the brigades of the forward base in Europe is said to be withdrawn. Now I wondered what your thoughts were on both short term and long-term implications for spending in Europe, for European interests, where you see things? This is in a non-sequestration situation. Lord knows what would happen if that does happen. But given the lowest end spectrum of what you guys have put out in your report, where do you see actual cuts and actual spending problems for European interests coming?

GEN. BARNO: Nora, you want to touch that?

MS. BENSAHEL: Yes. In the report we primarily talk about Europe being a tertiary priority in terms of being an operational theater, not in terms of the forces that are deployed there. We particularly avoid getting into the level of detail that says we should bring a certain number of troops home from Europe or from other parts of the world and have them based in the U.S., partially because we want to give as much flexibility to DOD to implement the broad recommendations within each scenario if they have to choose that, but also because, frankly, it actually doesn't save a whole lot of money to redeploy troops to the U.S.

So there's not a good budget reason to do that. There may be other reasons and DOD would have the flexibility to decide where the reductions in ground forces, where those troops actually come from around the world. But in the report we mentioned that Europe should be a lesser priority than the Asia-Pacific region and the Middle East given these constraints exactly of the type that we were talking about for a couple of reasons. One is that European defense capabilities are declining. And European military's value to the U.S. as a coalition partner has declined as a result of that. We don't see any prospect for defense increases in Europe because they are facing even stronger financial

constraints than we have not invested in defense for many years and particularly with the euro prices is unlikely to be investing more in the defense area.

Given that, their military utility to the United States goes down and the U.S. is going to be able in the constrained environment that is coming to provide less support for the European allies in combined operations that it has done in the past. U.S. support for European capabilities in Libya, for example, was really quite significant in terms of air support, intelligence surveillance and reconnaissance, and even things like refueling and armaments. What we're really trying to get at the report is that level of providing capabilities for our European allies is much less likely to be affordable in the budget scenarios, particularly as you get out towards the higher levels of cuts.

GEN. BARNO: Let me go over here and just continue. Mike, on the corner.

Q: Thanks, David. First of all, congratulations. It's a great piece of work. Gordon Adams is right. We've all seen this movie three times in terms of down ramp. And we all ended up the same place each time at about 340 or 350 billion in constant dollars. The conversations that I've had with former chiefs involved in those times all of which said, if I only knew where the bottom was, I would have not made a lot of the choices that I did at the margin on the way down.

So then that raises the question with the excellent work you've done. Is there some value of thinking about this the other way and saying what could that end be and how do we accrete back up to that, and option A, option B, option C coming up instead of option A, option B, option C going down? I raise that specifically in the context that my look at the Department of Defense, there's not a single officer over there that was a flag or general officer during the last downturn. And additionally, all the systems that support this kind of decision-making have been exquisitely tuned over the last 12 years to go only one direction. So this looks to me to be much harder process wise. And I'd appreciate your thoughts.

GEN. BARNO: Travis, do you want to take a stab at that?

MR. SHARP: Yes. The first thing I would say – and Gordon was talking about this earlier is that while it is true that sequestration may not take place, Congress may roll that back, the Department of Defense has to plan for current law. And so the thing that makes this drawdown and this build-down difficult to manage is that are we not sure where we're headed, even in the short term over the next fiscal year or two. So I think that that uncertainty definitely poses some serious management challenges for the Department of Defense.

You know, I think in the outer years of some of the scenarios that we outline, there might be a bit more flexibility for policymakers to play with and that's because the personnel accounts take a while

to generate savings. And in our report we didn't start any drawdown of ground forces until after fiscal year 2015 because they're going to be a little busy before then.

So, you know, I think that there is some out-year flexibility that we could see. The problem is really what do you do before then. And that's why I mentioned earlier I think that the fiscal year '13 possibility of sequestration, even if it's politically unlikely, it still presents a management challenge for the department.

GEN. BARNO: Gordon.

MR. ADAMS: Just a thought on this. Mike, I think it's an excellent question. And ideally, given, as Bernard Brodie said, strategy wears a dollar sign, building both a strategy and the dollar signs together is obviously the intellectually respectable way to do it. It's not historically the way that it happens usually but it's intellectually respectable to do it that way. The missing ingredient at this point I think frankly in my view is leadership.

That is to say it's very important – the one decision, one of the things that I learned working at OMB – everybody thinks OMB is a very powerful organization. I have one decision I could make that ever stuck and it was about the country credit rating for people we lend money to as government dollars. Everything else was up to bargaining.

So you're bargaining. But the one thing that the White House does do and leads with in the defense arena is the top line. It's the one decision the White House really gets to make. The Defense Department does not make that decision. That decision is made in the White House. So it's critically important for the White House to be laying out guidance that is realistic. I do not think the current guidance is realistic, that it will be – in fact, go down deeper and it's very important for the White House to be thinking about how it lays out a guidance that is realistic for the department and it's important for the department at the very top to make that guidance stick, to say you will plan to this guidance because the dollars do constrain your options. We will go down somewhere in the 350 to 450 constant dollar ballpark. And the question is what do you need to start planning to do knowing that that is what's coming. But you have to have – the top-down element is an important element of making that possible.

GEN. BARNO: Tom.

MR. DONNELLY: One thing that should get greater weight and has not in the past is not where the bottom is but are we prepared at the bottom to go back up. Can we expand? I believe or my projection would be is if we go down to the levels that sort of – that our conventional wisdom and are projected that they will come some moment where we realize we've gone too far, something will

happen in the world that requires us to again expand. We didn't do that particularly well after September 11th. And it was very difficult to do so because, again, we'd gone on through the '90s to build these sort of overly Swiss watch type systems. Even the personnel system had a hard time. The training base couldn't do it, so on and so forth. So I would say, don't necessarily prepare for the bottom, qua bottom but prepare for a bottom that provides a base for future expansion.

GEN. BARNO: We've got some questions coming in on Twitter and e-mail here as well. And we'll see if we can catch one of those.

Q: So this is a question from Twitter. The question is how should the Department of Defense think about maintaining complex organizational capabilities like carrier and maneuver warfare? And the questioner asks you to address not just how platforms might be cut or reduced but also how this would affect training environments as well?

MR. ADAMS: For what kind of warfare, again? Sorry. I didn't hear.

Q: Carrier and maneuver warfare.

MR. ADAMS: Carrier.

GEN. BARNO: The complex interaction. Let me start on that and then open it up for others. Maintaining readiness requires not only well-equipped forces but well-trained forces and forces that contain the right type of people as we think about reforming this Defense Department, all those potentially are at risk, how we equip the force, how we train the force, how much money is in that account and then what kind of people we bring into the force.

And of the three of those, I'm more worried about the third than the other two to ensure we continue to bring in the immense talent that this force has today. We've asked a great deal as I noted in my upfront remarks of this. This is the first war, prolonged war of the all-volunteer force has participated in. Keeping that kind of quality people in the force, making it attractive to them in the coming years is going to be crucial.

So I think one of the second order of facts that defense leadership needs to be most cautious about and most protective of is being able to recruit and retain the right kind of people to join this force. But how you spend those dollars that are out there, and perhaps how you get control of some of the things that are consuming your budget that are not lending itself to all aspects of equipping the force, training the force, recruiting and keeping the force needs a hard look. Anything on that?

MS. BENSANEL: No.

GEN. BARNO: Okay. How about along the aisle back here on this side? That's fine. Go ahead.

Q: Thank you. Robert Price with the staff of the Reserve Forces Policy Board. My colleagues and I were especially interested to see in your report that you under all four scenarios call for an increased reliance on the National Guard and Reserves going forward.

And so one of the caveats that Nora offered earlier was that doing so might increase significantly the amount of time you have to wait for forces to mobilize. And at the RFPB we're kind of like keenly aware that the Reserve components today are very different than they were before, very experienced now in deploying and mobilizing and demobilizing forces so that now that something like 50 percent of the National Guard are actually combat veterans.

So I guess I'd be interested to hear your reaction to that if maybe that caveat is not quite as strong as it used to be in terms of what the downside of switching to greater Reserve component reliance might be. And also if you have any further things to say about shifting to the Reserve component emphasis in terms of numbers, if you've got anything like that. Thank you.

GEN. BARNO: Yes. I'm not sure I'm going to talk to the numbers, but I do want to talk to your – and begin by talking to the first point. I think the whole nature of the Guard and Reserve and its relationship with the active component is at a point of great potential change to the advantage of a unified force that's really proven its benefit here over the last 10 years. The active component could not have fought in the last 10 years alone, by any one's estimation.

And, in fact, what has occurred – and I watched this in uniform for a good bit of this time – is that the Reserve component, the Guard and the Reserves have really risen to a very, very high standard such that the active component is very comfortable interacting with the Guard and Reserve in battlefields around the world. They're a critical component from infantry combat in Afghanistan to flying C-130s interchangeably in the Air Force with active component crews. That's a marriage that needs to be sustained now.

And I think we can have greater confidence and greater reliance on Reserve component in all scenarios in the future. They're not going to be able to go out the door quite as quickly but their combat capability that you pointed out as resident now in those combat experienced sergeants and officers out there is a huge advantage.

So I think one of these – (inaudible) – suggestions there ought to be more mobility back and forth between active and Reserve officers and soldiers and airmen that we can move more easily between those components to better integrate that and rely more upon that. We suggest moving quite a bit

of the heavy forces into the Guard and Reserve, for example, because we think the lead time to have those come out the door is going to be a bit longer and we can preserve enough in the active component to meet that particular mission. But I do think we're calling for a different outlook and a different marriage of all three components of the force as we go down the road in the future.

MR. DONNELLY: Dave, can I get a quick end?

GEN. BARNO: Yes.

MR. DONNELLY: I would completely agree with your assessment of what's happened over the past 10 years. I just think there are things about that that need to be thought about. So if the Reserve component, smaller, has become essentially an operational Reserve for a force that's an active force that's been capable of meeting its mission, that means that's no longer a strategic Reserve. So if you're talking about expansibility for something that exceeds our capacity, our active duty capacity, that expansibility, that flexibility is diminished.

Secondly, the costs of doing this have been entirely born by supplemental off-budget costs. So as great as these guys have become, I think everybody would agree – and everybody's actually very impressed by that – it means that if you're going to use them more frequently, you're going to be spending more money. So you're not going to really reap budget savings. There's still a slight marginal cost per soldier, per troops for mobilizing a Guardsman or a Reservist versus deploying an active duty guy. So that's not maybe the way to go but it's not the cheap road.

MR. BARNO: One of the warnings here though I would I think highlight here to flag is that we have to be very careful we don't think about the next 10 years in the sizing demands of the next 10 years the way we've had sizing demands for both active forces, deployed forces and combat forces that the last 10 years have demanded.

It's not impossible but I think it's somewhat unlikely that we're going to have 150,000 Americans deployed year after year after year in the next 10 years. And we've actually begun to size the force and use the active and Reserve component to be able to meet that incredible demand. That could happen again. There's no question about it.

And we want to have the fallback capability to do that again, both by expanding the active component should we need to do that, which we did, late in the game but in about the '05 to '08 timeframe and have that ability in the Guard and Reserve. But we also have to be thinking about what's the steady state we want to have each force operate at and how much can we use one to be the flexible expansion for the other.

MR. ADAMS: Could I make one point about mission and one point about the management of the force. The mission point I think is important. And I want to key off of what Dave Barno just said, which is the risk of preparing for the next whatever it is – conflict, risk, threat, combat, whatever you call it – is basing it on the last one. And the last one, the big one was a war of choice, was a war that we chose to fight that turned into a counterinsurgency and an occupation longer than anybody expected it to be. Bad planning, not necessarily bad budget preparation.

The likelihood of the United States military being engaged in another one of those exercises, regime change, overthrow, occupation, counterinsurgency is pretty small. There's a risk there and it's a risk I would say I'm prepared to accept it were unlikely to involve one of those contingencies and that allows moving the forces in that way.

The other small point but I think very interesting is at the end of '06, when the decision was made to expand the ground force by 92,000 people, it was stunning how fast it was done. Absolutely stunning, probably two or three years ahead of schedule that the force was expanded by 92,000 people, very rapidly able to deploy and be usable in the wars that we were fighting in, which suggests that we ought to caveat the problem of, gee, it takes an awful long time to generate forces. Not so clear based on this history that takes an awful lot of time to regenerate force.

GEN. BARNO: One comment I would make and I've made in a couple of other fora as well is that our ability to predict wars that require substantial numbers of ground forces has been abysmal over the last 60 years. If you go from 1945 forward and you look at where the U.S. was expecting conflict, look at the Korean War, not on a radar screen, look at the Vietnam war, not on a radar screen and march that all the way thorough into the '90s and into the current decade, very few of the wars that we fought that ended up using large numbers of ground forces were something that we predicted. Now, what that does require is the flexibility and the responsiveness to be able to come out the gates to build the force in a short period of time to expand, to rely in your Reserve component, be able to meet those commitments.

MR. ADAMS: And we actually built the force that met the wars we chose. We didn't choose Korea but Vietnam we did choose. Iraq we did choose twice. And we built and had the force that we used in those conflicts.

GEN. BARNO: We have time for maybe one more question. How about right here, ma'am?

Q: I admit that this has been a fascinating morning. Thank you all. I'm Mitzi Wertheim with the Naval Postgraduate School. And I go to a lot of these conversations around the city now. I am struck by your tone, which is all kinetic. And so many other meetings that I go to talk about preventing war and what should be the role in I guess it's phase zero. And I don't hear any of that

thinking in this at all. That clearly it requires a different budget structure if you're going to do phase zero and you're going to have to – while I was sitting here, I was thinking about using the Reservists who you can bring in with all sorts of talents for pre-conflict kinds of issues. I don't know if you've done any exploration about that but it would be nice if you would get beyond dropping bombs and killing people.

GEN. BARNO: I think – let me talk to that a bit and I think the report does go into some detail about the deterrent effect of U.S. military forces, the conflict prevention aspect of the U.S. military. The U.S. military is not just a fire extinguisher in a glass box that we break when a war happens. It has in an immense role around the world day to day. In fact, the demands of the combatant commanders out there in support of U.S. embassies around the world outside of the conflicts going on right now have been unmet for about 10 years.

And that there's been a tremendous amount of demand for the U.S. military to engage work with U.S. embassies to be involved in civil affairs projects in Africa, in other parts of Asia. But those requirements have been unmet because of the forces that have been committed in the wars. We do clearly see a significant role of the U.S. military not only to be a deterrent force, a force in waiting that prevents our adversaries from attacking the United States but also to be engaged around the world. And we know and highlight especially the Indo-Pacific rim is a critical area where the U.S. military plays a vital engagement role and will continue.

But that role will also be sustained by our special operations forces, which we see essentially continuing their growth glide path in our report, but also by conventional forces out there. The U.S. Army, as it comes out of these two wars and returns to base in the United States is going to have significant manpower and is planning for ways that they can engage with foreign militaries around the world and support our embassies as necessary and as desired for civil affairs projects.

And there's a lot of that in there. It's not simply about having forces ready to drop bombs. They've got a vital conflict prevention role just as much as they have a prosecution of conflict role.

MR. ADAMS: I'm more of a traditionalist than Dave Barno is on this subject. I don't think it's wise to generously expand the role of the United States military as an operating force. I agree with him on the deterrent force. As an operating force engaging in conflict prevention, that is largely a civilian responsibility.

One of the things and perhaps the only thing that was innovative in the Quadrennial Diplomacy and Development Review that the State Department did was the chapter where they talked about the State Department's role in conflict prevention, conflict resolution and governance. Not in the framework of how do we deploy more civilians when they deploy the military so they can do the

civilian job but very much in the sense, Mitzi, that you're asking, that is to say, how do we gin up the Foreign Service so the skill set they have includes the capacity to deal with conflict prevention and conflict resolution and the resolution of difficulties and security and governance in the governance context in other countries overseas so that we're not at the point where we have to throw the military into the basket? The problem they're going to have is we were saying in response to the earlier question is getting enough resources to gin up the State Department capacity is going to be really hard.

GEN. BARNO: I'm going to give each of our panelists a very brief moment to sum up any final thoughts they've got and then close this out. Nora.

MS. BENSAHEL: I just want to reiterate that when we have discussions about cutting the defense budget and what the consequences will be, what we are fundamentally having is a conversation about risk, where you accept risk and how much risk you're willing to accept. And reasonable people are going to differ about where that line is but that is the conversation that is required by declining resources.

The worst thing that could happen to the Defense Department is that the resources it has declines but a willingness to accept risk remains extremely low thereby leading to this mismatch between the strategy that the Department of Defense is being asked to execute, including possible preventive missions as well and the resources that it has to do that. That's the scenario where the U.S. military is most under stress.

GEN. BARNO: Tom.

MR. DONNELLY: I just take what Nora said and push it another step. It's really about what kind of the role the United States is going to play in the world and what that world is going to look like. This report is a hugely useful contribution to that. I even love debating Gordon because he's totally upfront about the connection between the size of the force and the role of the United States in the world.

But alas, we seem to be starting with the dollars and the numbers first and we'll find out what kind of world comes out of this process, probably only when something bad happens. I would rather dial that risk back and I think it's something we can reasonably define if we can stare this in the face and talk about it not in abstract terms but in real terms. And this report is an important step in that direction.

GEN. BARNO: Gordon.

MR. ADAMS: I echo what Tom just said both that it's fun to spar with him and that a lot of this is about mission, the role of the United States in the world and what role we give to the military in that larger role of the United States in the world. And I make that distinction deliberately because too often the discussion is the United States engages in the world and the military tool as a dominant instrument for that engagement.

It's very important to recognize there are a lot of instruments involved in the toolkit here and a lot of missions. The missions' pieces that are discussed in this report I think are very useful. I'm not sure they go far enough. I was interested and I'm interesting until very end in this question and answer, there's been relatively little discussion about Iraq and Afghanistan and the COIN mission, relatively little discussion here which tells me something.

There's a lot of sentiment in Washington I think in the policy community to kind of put that experience behind us as a not very successful outcome. And it does not feature in the report. There's not much discussion about it. There's not much discussion of COIN as a mission, nation building as a mission, post-conflict reconstruction, stabilization, all those kinds of things that we spend acres of time, acres of dollars and acres of blood over for the last 10 years, does not feature here.

And in my judgment that's appropriate because those are missions that I think we have to seriously question whether there will be of anything like the magnitude they have been for the past 10 years and whether we don't have largely in the Special Forces and in the Marines the capability to deal with them where they happen when they happen. They're not Afghanistan and Iraq. They are smaller missions.

The other mission piece that we talked just a little bit about, I don't think we lose and it's just basically to differ a bit with Travis on this. Regardless of what the size of the American military is, it's going to be a hugely capable force. Its ability to handle humanitarian and disaster missions is not going to go away. The tasking to do it is not going to go away. And we will continue to do that and we will continue to have the ability to do it.

GEN. BARNO: Travis.

MR. SHARP: Dave and John both started with the broader political and economic context. So I think I'll close there. You know, there's a lot of discussion especially in defense circles about the fact that the defense budget is not responsible for our deficit problems or our debt problems. So I just wanted to share with everybody that according to a June 2011 Pew poll, both Democratic and Republican respondents believed that the wars in Iraq and Afghanistan are a leading cause, the leading cause of our deficit.

They don't recognize the role of the economy, of the Bush tax cuts and any of those things. So I think in the broader debate about where defense fits into our national priorities, there's a perception problem within the American public about the role to which the Defense Department has contributed to our deficit. So we need to address that.

GEN. BARNO: And just to put an emphasis on that, that poll reflects a very deep misunderstanding of where our debt and deficit problems originate. And that's really frightening to hear those numbers out there.

I'll just wrap up by thanking all of you for being here this morning. We're in a period of dramatic change and dramatic decisions to the United States. If strategy is about making choices, the dollar decisions are going to come out of the deliberations occurring a couple of blocks from here are going to force us to make choices, perhaps not always the choices that we would have sought. But what we seek to do in our report here is chart out what the potential strategic impacts of those choices might be, what the risks that that could entail and at least lay out the framework for how to make some of these very difficult calls for our nation.

Thank you very much.

(Applause.)

(END)