

## Areas of Sharp Disagreement

- *Although the desirability of building partnership capacity (BPC), both as a way to prevent irregular threats from weak or failing states and as a means to reduce the burden on U.S. military forces, is self-evident, there is considerable skepticism about the effectiveness of BPC tools (with respect to security training and assistance, financial aid, etc.) and the likelihood that BPC strategies will be successful.*

At the broadest strategic level, Christopher Preble argued that “the number one goal of U.S. defense policy going forward is not so much about us doing less, but about getting others to do more” and that the American tendency to embrace the “burdens of policing the planet” has enabled the “free-riding of our allies.” He then noted his belief that a policy of restraint would encourage allies to develop capabilities for self-defense and better provide for their own security. Michael O’Hanlon questioned Preble’s assumption that U.S. allies would adequately provide for their security given the proper incentive structure: “The history of warfare is that countries don’t get it right,” he argued. “They either under-prepare [for their threat environment] or over-prepare.”

Frank Hoffman’s formulation of a strategy of “forward partnership” envisioned a minimal U.S. “footprint” that would, nonetheless, be capable of providing sufficient U.S. influence ashore. Further articulating this concept, Hoffman noted the following: “I want to build up partners, but I don’t want to have client states, vassal states, or weak sisters that I’m propping up . . . I want to reserve the relationships that we have to the degree that they’re necessary for our interests, and I want to leverage the capabilities of these partnered regional powers and build them up as necessary through training, interoperability, foreign military sales [etc.]”

Likewise, Nate Freier argued that maintaining the ability to “deter and prevent conflict [with higher-end surge capabilities] and build partner capacity” will offer a significant contribution to DoD’s adjustment to an unconventional future, but conceded that “there is clearly a declining allied consensus in what threats are, and there’s declining allied capabilities in responding to those threats as well.” Freier went on to state that conditions on the ground, including political sensitivities, often produce catch-22s in which the United States finds itself building partner capacity in countries where it is not necessary while being unable to build it in countries where it is needed.

Notably, when the moderator asked panelists to address the skepticism of many analysts about the effectiveness of BPC strategies, even the BPC advocates agreed that this was a legitimate concern and that the jury was still out. Other panelists cited outgoing Secretary of Defense Robert Gates’ blistering address on defense spending and burden-sharing to NATO defense ministers, as well as the problems NATO Europe had in sustaining the Libyan operation, as evidence that even the strongest U.S. partners lack sufficient capability, while Tom Donnelly characterized the current strategy for building partnership capacity as “backward-looking Cold War detritus.” “What’s more important is who’s willing to fight and who’s in places that we care about, not who have we fought with in the past,” he argued, excepting the British who share our global perspective.

- *Panelists strongly disagreed on the likelihood that defense cuts will produce efficiency gains and increased national security.*

The conference featured a rich debate on whether decreased defense spending inherently produces less security. This discussion began with Christopher Preble's assertion that reduced U.S. defense spending will produce stronger allies and continued with Moisés Naím's citation of a Harvard research study that found that between 1950 and 1998 the "weaker" army defeated the "stronger" army 55 percent of the time. With this reference in mind, Naím argued that more money does not necessarily buy more defense and that lower levels of spending may in fact produce efficiency gains, in turn leading to improvements in American national security.

James Carafano cautioned against cutting the defense budget based on Naím's assumption. "You don't play Russian roulette with national security and say, 'gut the defense budget and maybe good things will happen,'" he argued, additionally noting that "some of the greatest military breakthrough innovations [occurred] when we were putting money into the defense budget." Similarly, Steve Grundman's discussion of the inflexibility of industry assets and David Berseau's fear that third- and fourth-tier suppliers may not survive major cuts to the naval budget seemed to implicitly reject the notion that defense cuts would produce efficiency gains.

Finally, while defense cuts could theoretically enhance U.S. national security, the panelists largely agreed that cuts would need to be driven by strategy if they are to produce any attendant gains in security.

## Specific Recommendations

### Missions

- *Defense reductions should be mission-focused:* Harrison argued that defense cuts should be neither fair nor balanced, but targeted based on strategic choices of what the United States will no longer do. Despite Boot's suggestion that it would be impossible to realign the U.S. military's mission-set to only perform "vital" missions, Hoffman convincingly argued that the likely levels of defense spending will not support that reality, and we now need to move the debate forward. Despite the general agreement that the United States needs to begin to think strategically, panelists isolated few missions to retire (or no longer base force structure on). Rather, multiple panelists suggested that the United States should simply be more selective in the application of military power. In addition, O'Hanlon argued that the Pentagon's goal should be to execute missions more efficiently, while Singer argued that efficiency should be subordinated to effectiveness.
- *Adopt a strategy of forward-partnership:* Hoffman supported a U.S. strategy of "forward-partnership," based on the British model of offshore balancing. This strategy would exploit American advantages in naval and air power, special operations forces, and space assets rather than forward stationed ground forces. Such a strategy, he argued, would provide the United States with strategic freedom of action while avoiding costly entanglements that do not allow maneuverability from crisis to crisis. Many of the panelists agreed that naval and air power will play a larger role in the future security environment and that the United States should make investment decisions with

this characteristic in mind. The area of dispute among panelists was whether the increased importance of naval and air power provides the United States with an opportunity to safely reduce ground force levels, as Boot asserted that Britain's strategy of offshore balancing was a core cause of World Wars I and II.

- *Adopt a strategy of restraint:* Preble argued for a U.S. strategy of restraint. Although he did not outline the specifics of such a strategy, he suggested that it would require the United States to be more reluctant to use military force, largely end its role in regional security architectures, and avoid engagements that are not classified as vital interests. This strategy, he argued, would enhance regional security and produce stronger allies.
- *Burden sharing:* In contrast to Preble's view that the United States needs to reduce its role in the world in order to encourage regional powers to assume greater responsibility, Singer made a more moderate recommendation to consult with our allies while making defense draw-down decisions. In doing so, the United States can identify capacity gaps within its alliances, as well as opportunities to pool resources and accrue shared savings. However, Carafano and Boot observed that some allies may be structurally incapable of generating increased funds for their defense budget. Therefore, the United States should only shift missions to allies when the opportunities for real allied cooperation are likely.
- *Counterinsurgency:* There appeared to be considerable agreement that recent COIN missions have been a strategic error and quite costly in a broad sense. Adams argued that this is a mission that the United States does not perform well, and Freier pointed out the trade-off that every dollar spent on BPC is one less dollar for contingency response. Nagl, however, argued that security force assistance could become a primary mission of the ground forces, but that this capability could potentially be put in the Guard and Reserve.
- *Securing the global commons:* Adams argued that the role of the U.S. military in securing the global commons is relatively minimal. Counter-piracy operations to secure sea lanes are limited to a few choke points, while diplomatic initiatives largely write the rules of trade. For this reason, such missions should not drive force structure. In contrast, Donnelly argued that these factors demonstrate the important effect of U.S. domination in this realm and thus constitute a vital mission set that should not be reduced.

## Force Structure

- *Reduce ground forces:* Nagl argued that large, active duty ground forces, while still essential, will be less important in the future and can be drawn down to pre-9/11 levels (Army to 480,000–490,000; Marine Corps to 175,000); O'Hanlon advocated a slightly smaller force (a 450,000–460,000 active duty Army). Singer argued that defense cuts should factor in which capabilities require substantial investment (such as naval and air power) and which capabilities can be added quickly. Therefore, he argued that the military should reduce its spending on ground forces as these forces can be surged in a matter of years. Furthermore, Hoffman stated that there is not, at present, an emergent land power that the United States would likely engage in major ground combat; consequently, the United States should not focus its limited resources on buying a ground force capability to counter such a contingency.

- *One vs. two MRC force structure:* O'Hanlon supported the development of capabilities for one robust MRC (major regional contingency) and two or three smaller ongoing operations. While the United States may become engaged in multiple theaters, he thought it was unlikely that these will require simultaneous capabilities based on a classic MRC combat scenario. In contrast, Carafano and Donnelly supported a two-MRC capability. Carafano argued that, in the absence of a two-MRC capability, adversaries would be encouraged to develop regional capability as the United States would be unable to respond to a second military contingency.
- *Reduce redundancies:* Nagl argued that U.S. force structure should be based on a realistic assessment of likely threats, not the pursuit of capabilities. As a result, he argued that while redundancy across U.S. forces is a useful hedge, it may no longer be affordable. Additionally, he noted that more capability, specifically heavy armor and artillery, can be moved into the reserve force.

## Weapons Systems

- *Reduce investment in manned stealth:* The United States is currently overinvesting in manned capabilities, Nagl argued. Instead, the military should pursue unmanned stealth capabilities (with an eye to the Western Pacific), while continuing investment in manned nonstealth capabilities. Smart investments, he stated, can help unlock a revolution in unmanned capability.
- *Reduce number of battle tanks:* The U.S. Army currently maintains 5,795 main battle tanks, while the Marines maintain 447. Singer argued that this number does not match U.S. requirements as the United States only used 1,900 in the first Gulf War (and fewer in the 2003 conflict), nor does the United States have the logistical capability required for the deployment of this many tanks.
- *Reduce nuclear weapons funding:* Nagl and Singer both argued that the current number of nuclear weapons does not provide a meaningful strategic benefit to U.S. national security. In turn, they argued that moderate reductions in the number of warheads would provide a strategic gain by producing savings that could protect other parts of the defense budget. Additionally, Hoffman voiced support for cutting the Navy's SSBN replacement program because the investment and operating costs may affect the Navy's shipbuilding budget, thereby significantly reducing the size of the fleet.
- *Cut the missile defense budget:* Singer argued that the strategic benefits of missile defense are of dubious value given the program's exorbitant cost, which, he noted, has exceeded that of the entire Apollo space program. As a result, he concluded that further spending on this capability—which has a failure rate of 7 out of 15—is not advisable.
- *Cut Marine amphibious ships:* Nagl suggested that the number of Marine amphibious ships and jump jets could be reduced to produce savings and that such capability could potentially be found elsewhere for cheaper. Singer echoed this point, stating that the Marine's amphibious warfare plans do not match the number of ships actually required to execute such operations.
- *Offer capability packages:* Instead of making distinct decisions to sustain or eliminate acquisition programs, Singer argued that the Pentagon should give operational commanders and planners a set of alternative options. For example, instead of deciding to procure a number of F-35s, commanders and planners should be given the alternative option of procuring a mix of F-35s, F-22s, and

additional capabilities and investments for a comparable overall price. Singer suggested that both commanders and the defense industrial base might find this option attractive.

## Next Steps

The 29 September 2011 conference on *Defense in an Age of Austerity* clearly anticipated what appears to be a growing national debate about making tough choices about defense priorities during a defense drawdown. Within two weeks of the CSIS conference, the Center for a New American Security (CNAS) issued a report, *Hard Choices: Responsible Defense in an Age of Austerity* (October 2011), arguing that the United States could reduce its defense budget by approximately \$500 billion over ten years at acceptable risk to U.S. national security. This proposal for how the United States should define defense priorities while significantly reducing defense spending is likely to be followed by many other studies that take different methodological approaches and reflect different ideological perspectives.

OSD Policy will have an ongoing need to monitor this national debate closely, both as a means of capturing new ideas for how best to reduce defense spending and for maintaining situational awareness about how the evolving defense debate will affect DoD defense policy formulation. In 2008, CSIS initiated a project (with DTRA sponsorship) that developed a comprehensive analytic framework for tracking and analyzing the growing national debate about a broad set of nuclear issues, ranging from strategy and force posture to proliferation and disarmament. CSIS then used this framework as the basis for a tailored search mechanism for a database consisting of the many studies and projects that were being produced almost monthly. CSIS both maintained the database and supported the search mechanism, which was used by numerous government offices during the 2009 Nuclear Posture Review. CSIS could develop and maintain a similar decision support tool for OSD Policy to help it stay current with what appears to be an intensifying debate over defense priorities in an age of austerity.


## APPENDIX A

# CONFERENCE AGENDA

- 8:30–8:50**                    **Registration**
- 8:50–9:00**                    **Opening Remarks**  
*Dr. Clark A. Murdock*, Senior Adviser and Director, Defense and National Security Group, Center for Strategic and International Studies
- 9:00–10:15**                    **Goals of U.S. Defense Policy**  
*What factors will shape the future global strategic environment, and what implications will these factors hold for U.S. national security interests?*  
*Dr. James Jay Carafano*, Deputy Director, The Kathryn and Shelby Cullom Davis Institute for International Studies, and Director, Douglas and Sarah Allison Center for Foreign Policy Studies, Heritage Foundation  
*Dr. Moisés Naím*, Senior Associate, International Economics Program, Carnegie Endowment for International Peace  
*Dr. Michael O’Hanlon*, Director of Research and Senior Fellow, Brookings Institution  
*Dr. Christopher A. Preble*, Vice President for Defense and Foreign Policy Studies, Cato Institute
- 10:15–10:30**                    **Break**
- 10:30–11:45**                    **Principal Missions and Capabilities for DoD**  
*How might DoD prioritize missions and tailor capabilities to address vital national security interests while minimizing risk?*  
*Mr. Max Boot*, Jeane J. Kirkpatrick Senior Fellow for National Security Studies, Council on Foreign Relations  
*Mr. Nathan Freier*, Senior Fellow, New Defense Approaches Project, Center for Strategic and International Studies  
*Mr. Frank G. Hoffman*, Director, National Defense University Press
- 11:45–12:45**                    **Lunch and Speaker**

*Secretary William S. Cohen, Chairman and CEO of The Cohen Group,  
Former Secretary of Defense*

*Introductory Remarks: Mr. Rudy deLeon, Senior Vice President of National  
Security and International Policy, Center for American Progress*

**12:45–14:00**

**Domestic Implications of a Defense Drawdown**

*What practical impact will the defense drawdown have domestically?*

*Mr. David J. Berteau, Senior Adviser and Director, Defense-Industrial  
Initiatives Group, Center for Strategic and International Studies*

*Mr. Steven Grundman, Principal, Grundman Advisory LLC*

*Mr. Todd Harrison, Senior Fellow for Defense Budget Studies, Center for  
Strategic and Budgetary Assessments*

**14:00–14:15**

**Break**

**14:15–16:15**

**Alternative Affordable DoD Force Structures**

*Which force structure option is best suited to safeguard American security in an  
age of austerity?*

*Mr. Gordon Adams, Distinguished Fellow, Stimson Center*

*Mr. Rudy deLeon, Senior Vice President of National Security and International  
Policy, Center for American Progress*

*Mr. Thomas Donnelly, Resident Fellow and Director, Center for Defense  
Studies, American Enterprise Institute*

*Dr. John A. Nagl, President, Center for a New American Security*

*Dr. Peter W. Singer, Director, 21st Century Defense Initiative, and Senior  
Fellow, Foreign Policy, Brookings Institution*

**16:15–16:30**

**Closing Remarks**

*Dr. Clark A. Murdock, Senior Adviser and Director, Defense and National  
Security Group, Center for Strategic and International Studies*



## APPENDIX B

# ABOUT THE PANELISTS AND KEYNOTE SPEAKER

**Gordon Adams** is a professor in the U.S. Foreign Policy Program at the School of International Service, American University. He is also a distinguished fellow at the Stimson Center. He was a fellow at the Woodrow Wilson International Center for Scholars and, for seven years, a professor at the Elliott School of International Affairs, George Washington University, and director of the School's Security Policy Studies Program. For five years he was associate director for national security and international affairs at the Office of Management and Budget, the senior White House budget official for national security. He has been an international affairs fellow at the Council on Foreign Relations and received the Department of Defense Medal for Distinguished Public Service. Mr. Adams' most recent book (with Cindy Williams) is *Buying National Security: How America Plans and Pays for Its Global Role and Security at Home* (Routledge, 2010). He has published books, monographs, and articles on defense and national security policy, the defense policy process, and national security budgets. He frequently appears in the media and blogs regularly for *Capital Gains and Games*, the *National Journal*, and *Budget Insight*.

**David J. Berteau** is senior vice president and director of the CSIS International Security Program, covering defense management, programs, contracting, and acquisition. His group also assesses national security economics and industry. Mr. Berteau is an adjunct professor at Georgetown University, a director of the Procurement Round Table, and a fellow of the National Academy of Public Administration and the Robert S. Strauss Center at the University of Texas. Prior to joining CSIS, he was director of national defense and homeland security for Clark & Weinstock, director of Syracuse University's National Security Studies Program, and a senior vice president at Science Applications International Corporation (SAIC). He served in the U.S. Defense Department under four defense secretaries, including four years as principal deputy assistant secretary of defense for production and logistics. Mr. Berteau graduated with a BA from Tulane University in 1971 and received a master's degree in 1981 from the LBJ School of Public Affairs at the University of Texas.

**Max Boot**, the Jeane J. Kirkpatrick senior fellow in national security studies at the Council on Foreign Relations (CFR), is a contributing editor to the *Weekly Standard* and the *Los Angeles Times* and is a regular contributor to the *New York Times*, *Wall Street Journal*, *Commentary*, and other publications. Mr. Boot is a frequent public speaker and guest on radio and television news programs, both at home and abroad. He has lectured on behalf of the U.S. State Department and at many military institutions. Additionally, he is an adviser to U.S. commanders in Iraq and Afghanistan and was a senior foreign policy adviser to Senator John McCain's presidential campaign in 2007 and 2008. Before joining the Council in 2002, Mr. Boot spent eight years as a writer and editor at the *Wall Street Journal*, the last five



years as op-ed editor. From 1992 to 1994 he was an editor and writer at the *Christian Science Monitor*. His most recent book is *War Made New: Technology, Warfare, and the Course of History, 1500 to Today* (Gotham Books, 2006). Mr. Boot holds a bachelor's degree in history, with high honors, from the University of California, Berkeley (1991) and a master's in history from Yale University (1992).

**James Jay Carafano** directs the Heritage Foundation's Douglas and Sarah Allison Center for Foreign Policy Studies and serves as deputy director of the Kathryn and Shelby Cullom Davis Institute for International Studies. His research focuses on developing the national security required to secure the long-term interests of the United States—protecting the public, providing for economic growth, and preserving civil liberties. Before joining Heritage, Dr. Carafano was a senior fellow at the Center for Strategic and Budgetary Assessments. He is a visiting professor at National Defense University and Georgetown University, member of the National Academy's Board on Army Science and Technology and the Department of the Army Historical Advisory Committee, and a senior fellow at George Washington University's Homeland Security Policy Institute. Dr. Carafano writes a weekly column on national security affairs for the *Washington Examiner* and frequently publishes op-eds in other major newspapers. He has testified many times before Congress and is a regular guest analyst for major domestic and international television networks. He is a 25-year veteran of the U.S. Army, where he rose to the rank of lieutenant colonel and was executive editor of *Joint Force Quarterly*. His most recent book, *Private Sector/Public Wars: Contracting in Combat-Iraq, Afghanistan and Future Conflicts* (Praeger, 2008), is a rigorous study of contractors' role on the battlefield and their impact on military effectiveness and civil society. A graduate of West Point, Dr. Carafano holds a master's degree and a doctorate from Georgetown University as well as a master's in strategy from the U.S. Army War College.

**William S. Cohen**, the current chairman and CEO of the Cohen Group, served as secretary of defense under President Clinton. Under his leadership, the U.S. military conducted the largest air warfare campaign since World War II, in Serbia and Kosovo, and conducted other military operations on every continent. Prior to that, Secretary Cohen served three terms as both senator and representative from Maine. As a freshman congressman, he presented the evidentiary base for impeachment of President Nixon on national television. In the Senate he chaired the Armed Services Committee's Seapower and Force Projection Subcommittee and the Governmental Affairs Committee's Government Oversight Subcommittee. As chairman of the Senate Committee on Aging, Secretary Cohen led efforts to improve the efficiency of Medicare and other health care programs and was a central player in the health care reform debates of the 1990s. Between his congressional and administrative public service, Secretary Cohen launched the William S. Cohen Center for International Policy and Commerce at the University of Maine. He was selected to the Board of Directors of the Council on Foreign Relations from 1989 to 1997 and chaired and served on numerous other study groups and committees at the Center for Strategic and International Studies, the School for Advanced International Studies, and the Brookings Institution. A published author of 11 works of nonfiction, fiction, and poetry, Secretary Cohen received a BA from Bowdoin in Latin and a JD from Boston University.

**Rudy deLeon** is the senior vice president of national security and international policy at the Center for American Progress in Washington, D.C. He serves on several nonprofit boards and is a part-time

college instructor. Mr. deLeon is a former deputy secretary of defense, where he was a member of the Deputies Committee of the National Security Council and the National Partnership Council. In earlier Pentagon assignments, Mr. deLeon served as undersecretary of defense for personnel and readiness from 1997 to 2000 and as undersecretary of the Air Force from 1994 to 1997. He worked as a Capitol Hill staff director before starting with the Department of Defense, serving on the Committee on Armed Services in the U.S. House of Representatives as a member of the professional staff and as staff director. Mr. deLeon served for five years as a senior vice president for the Boeing Company after leaving the Pentagon. He earned a bachelor's degree from Loyola Marymount University and completed the executive program in national and international security at the John F. Kennedy School of Government at Harvard University.

**Thomas Donnelly**, a defense and security policy analyst, is director of the Center for Defense Studies at the American Enterprise Institute. From 1995 to 1999, he was policy group director and a professional staff member for the House Committee on Armed Services. Mr. Donnelly also served as a member of the U.S.-China Economic and Security Review Commission. He is a former editor of *Armed Forces Journal*, *Army Times*, *Defense News*, and the *National Interest*. Mr. Donnelly worked as the director of Strategic Communications and Initiatives at Lockheed Martin Corporation and deputy executive director at the Project for the New American Century. His most recent of many books is *Lessons for a Long War: How America Can Win on New Battlefields* (AEI, 2010), coauthored with Frederick W. Kagan. Mr. Donnelly received a BA from Ithaca College and an MIPP from the School of Advanced International Studies at Johns Hopkins University.

**Nathan P. Freier** is a visiting professor of strategy, policy, and risk assessment at the U.S. Army's Peacekeeping and Stability Operations Institute and a senior fellow in the International Security Program at the Center for Strategic and International Studies. Mr. Freier joined CSIS after completing a 20-year career in the U.S. Army. His last military assignment was as director of national security affairs at the U.S. Army War College's Strategic Studies Institute. Prior to that, he served in the Office of the Deputy Assistant Secretary of Defense for Strategy, where his principal responsibilities included development of the 2005 National Defense Strategy. Previously, he was a U.S. Army fellow/visiting scholar at the University of Maryland's Center for International and Security Studies and a strategist with the Strategy, Plans, Concepts, and Doctrine Directorate on the Department of the Army Staff. Among his research interests and areas of expertise are U.S. grand strategy; national security, defense, and military strategy and policy development; irregular, catastrophic, and hybrid security challenges and conflicts; strategic net and risk assessment; terrorism; and the Iraq War. Mr. Freier holds a master's degree in international relations from Troy State University and in politics from the Catholic University of America.

**Steven Grundman** recently formed and serves as principal at Grundman Advisory. The company offers clients access to Mr. Grundman's knowledge of aerospace and defense markets, national security, and public policy, and to his know-how about making and implementing strategic choices in complex enterprises. Previously, Mr. Grundman was vice president and director of Aerospace and Defense Consulting at Charles River Associates, where he focused on facilitating transatlantic business partnerships, supporting the capital markets' assessments in the aerospace and defense sector and

assisting companies to prepare and execute strategic initiatives. Prior to joining CRA International, Mr. Grundman was deputy under secretary of defense (industrial affairs and installations) in the U.S. Department of Defense. During a six-year appointment at the Pentagon, Mr. Grundman directed the Department of Defense's industrial relations, spearheaded innovative reform initiatives, and orchestrated the Department of Defense's financial planning and program review process.

**Todd Harrison** is the fellow for defense budget studies at the Center for Strategic and Budgetary Assessments. Mr. Harrison joined CSBA from Booz Allen Hamilton, where he supported clients across the Department of Defense, assessing challenges to modernization initiatives and evaluating the performance of acquisition programs. He previously worked in the aerospace industry developing advanced space systems and technologies and served as a captain in the U.S. Air Force Reserves. Mr. Harrison combines his budgetary, programmatic, and engineering experience with a strong background in systems analysis to lead the budget program for CSBA. He is a graduate of the Massachusetts Institute of Technology with both a BS and an MS in aeronautics and astronautics.

**Frank Hoffman** serves at the National Defense University as a senior research fellow with the Institute for National Strategic Studies. He directs the NDU Press operations, which includes the journals *Joint Force Quarterly* and *PRISM*. Previously, he served in the Department of the Navy as a senior executive and as the senior director of naval capabilities and readiness. Mr. Hoffman served in the Marine Corps as defense systems analyst, force structure analyst, and supervisory resource analyst at headquarters. At Quantico, he was program analyst for the Training and Education Command, national security analyst and director of the Marine Strategic Studies Group, and strategic planner and concept developer for the Marine Corps Warfighting Lab. Mr. Hoffman was a research fellow at the Center for Emerging Threats and Opportunities, where he authored numerous Marine concepts on distributed operations, urban ops, and hybrid threats, as well as contributed to the Marine Corps' newest vision and strategy and penned chapters of the Army/Marine Corps COIN doctrine. He has lectured extensively and published more than 100 articles as well as a book, *Decisive Force: The New American Way of War*. Mr. Hoffman graduated from the NROTC program at the University of Pennsylvania and graduated from the Naval War College with highest distinction.

**Clark A. Murdock** is senior adviser for the U.S. Defense and National Security Group at CSIS and the director of the Project on Nuclear Issues (PONI). Joining CSIS in January 2001, Dr. Murdock has completed studies on a wide range of defense and national security issues, directing the four-phase study on Defense Department reform, "Beyond Goldwater-Nichols: USG and Defense Reform for a New Strategic Era." Dr. Murdock is currently leading the U.S.-UK-France trilateral track-2 nuclear dialogue. He is the principal author of *Improving the Practice of National Security Strategy: A New Approach for the Post-Cold War World* (CSIS, 2004) and *The Department of Defense and the Nuclear Mission in the 21st Century* (CSIS, 2008) and the coauthor of *Revitalizing the U.S. Nuclear Deterrent* (CSIS, 2002) and *Nuclear Weapons in 21st Century U.S. National Security* (AAAS, 2008). Dr. Murdock has served in many additional roles in the defense world, including as a senior policy adviser to House Armed Services Committee chairman Les Aspin, as an analyst and Africa issues manager in the CIA, and in the Office of the Secretary of Defense. He also taught for 10 years at the State University of New

York at Buffalo. He is an honors graduate of Swarthmore College and holds a PhD in political science from the University of Wisconsin at Madison.

**John Nagl** is the president of the Center for a New American Security. He is also a member of the Defense Policy Board, a visiting professor in the War Studies Department at King's College of London, a life member of the Council on Foreign Relations and the Veterans of Foreign Wars, and a member of the International Institute of Strategic Studies. Dr. Nagl has testified before the Senate Foreign Relations Committee and the Commission on Wartime Contracting and served on the 2010 Quadrennial Defense Review Independent Panel (the Hadley-Perry Commission). He sits on the advisory boards of Mission Essential Personnel, the Spirit of America, and the *RUSI Journal* of the Royal United Services Institute. Dr. Nagl was a distinguished graduate of the United States Military Academy Class of 1988 who served as an armor officer in the U.S. Army for 20 years. He taught national security studies at West Point's Department of Social Sciences and in Georgetown University's Security Studies Program and served as a military assistant to two deputy secretaries of defense. In addition, he has authored a book, *Learning to Eat Soup with a Knife: Counterinsurgency Lessons from Malaya and Vietnam*. Dr. Nagl earned a master of military arts and sciences degree from the U.S. Army Command and General Staff College, where he was the top graduate, and a doctorate from Oxford University as a Rhodes Scholar.

**Moisés Naím** is senior associate in the International Economics Program at the Carnegie Endowment for International Peace and chief international columnist for *El País*, Spain's largest newspaper. Before joining the Carnegie Endowment, he was the editor in chief of *Foreign Policy* magazine. Dr. Naím's public service includes his tenure as Venezuela's minister of trade and industry in the early 1990s, director of Venezuela's Central Bank, and executive director of the World Bank. His academic work includes positions as professor of business and economics and dean of the Venezuela's main business school, the Instituto de Estudios Superiores de Administración (IESA) in Caracas, and as a guest lecturer in many universities in the United States and Europe. Dr. Naím has written extensively on international economics and global politics, economic development, and the unintended consequences of globalization. He has authored or edited numerous books, most recently *Illicit: How Smugglers Traffickers and Copycats Are Hijacking the Global Economy*. Dr. Naím is chairman of the Board of Group of Fifty (G-50), vice chairman of the Board of Population Action International, and a member of the board of directors of the National Endowment for Democracy and the International Crisis Group. He holds a PhD and a master's degree from the Massachusetts Institute of Technology.

**Michael O'Hanlon** is a senior fellow in foreign policy at the Brookings Institution, where he specializes in U.S. defense strategy, the use of military force, homeland security, and American foreign policy. He is a visiting lecturer at Princeton University and adjunct professor at Johns Hopkins University. Dr. O'Hanlon was an analyst at the Congressional Budget Office from 1989 to 1994. He also worked previously at the Institute for Defense Analyses. Dr. O'Hanlon's latest book is *The Science of War* (Princeton University Press, 2009). He has written several hundred op-eds in newspapers including the *Washington Post*, *New York Times*, *Los Angeles Times*, *Washington Times*, and *Japan Times* and has appeared on television or spoken on the radio about 2,000 times since September 11, 2001. Dr.

O'Hanlon holds a PhD in public and international affairs from Princeton University, where he also earned bachelor's and master's degrees in the physical sciences.

**Christopher A. Preble** is the vice president for defense and foreign policy studies at the Cato Institute. He is the author of three books including *The Power Problem: How American Military Dominance Makes Us Less Safe, Less Prosperous and Less Free* (Cornell University Press, 2009), which documents the costs of America's military power and proposes a new grand strategy to advance U.S. security. Dr. Preble is also the lead author of *Exiting Iraq: How the U.S. Must End the Occupation and Renew the War against Al Qaeda* (Cato Institute, 2004); he coedited, with Jim Harper and Benjamin Friedman, *Terrorizing Ourselves: Why U.S. Counterterrorism Policy Is Failing and How to Fix It* (Cato Institute, 2010). In addition to his books, Dr. Preble has published more than 150 articles in major publications including *USA Today*, *Los Angeles Times*, *Financial Times*, *National Review*, *National Interest*, *Harvard International Review*, and *Foreign Policy*. He is a frequent guest on television and radio. Before joining Cato in February 2003, he taught history at St. Cloud State University and Temple University. Dr. Preble was a commissioned officer in the U.S. Navy and served onboard USS *Ticonderoga* (CG-47) from 1990 to 1993. He holds a PhD in history from Temple University.

**Peter W. Singer** is senior fellow and director of the 21st Century Defense Initiative at the Brookings Institution. In his personal capacity, he served as coordinator of the Obama-08 campaign's defense policy task force and as a consultant for the U.S. Department of Defense and FBI, and he has advised a host of entertainment programs. Dr. Singer is considered one of the world's leading experts on changes in twenty-first century warfare. He was named by the president to Joint Forces Command's Transformation Advisory Group. He is a columnist for *Armed Forces Journal* and has written for a range of major media and journals. In addition, he has provided commentary on military affairs for numerous TV and radio outlets. Dr. Singer's most recent book, *Wired for War* (Penguin, 2009), looks at the implications of robotics and other new technologies for war, politics, ethics, and law in the twenty-first century. Prior to his current position, Dr. Singer was the founding director of the Project on U.S. Policy towards the Islamic World in the Saban Center at Brookings. He has also worked for the Belfer Center for Science and International Affairs at Harvard University, the Balkans Task Force in the U.S. Department of Defense, and the International Peace Academy. Dr. Singer received a PhD in government from Harvard University and a BA from the Woodrow Wilson School of Public and International Affairs at Princeton University.


## APPENDIX C

# PRESENTATIONS BY PANELISTS AND KEYNOTE SPEAKER

## Panel 1: Goals of U.S. Defense Policy

### James Jay Carafano

The goal of U.S. defense policy is to prevent World War III, James Carafano stated bluntly. Carafano rejected both threat-based planning, which “cooks the books” for a desired U.S. force posture, as well as capability-based planning, which functions as marketing to justify weapon systems the Defense Department wants. Instead, Carafano argued for demand-based planning.

Carafano’s demand-based approach to U.S. defense policy would have five core goals. Carafano believes the United States should (1) have the capability to respond to two major regional contingencies, (2) have the capability to secure freedom of the commons, (3) develop a robust defense capability to prevent adversaries from being able to take the United States hostage, (4) maintain capacity building capability with our allies, and (5) maintain a military “built to last” while avoiding unpredictable investments in defense. A defense posture that had these five goals in mind, Carafano said, would be affordable and modest.

The fiscal problem, therefore, is not the defense budget but larger structural problems in the U.S. economy. In turn, the argument that the United States should cut defense spending, for Carafano, serves as a red herring that distracts us from making the important reforms to the U.S. economy that will be necessary for the long-term health of the country.

### Moisés Naím

The United States is now confronted with three important shortages: money; reliable and tested ideas; and power. Moisés Naím argued that micro-powers are increasingly capable of challenging the traditional mega-players and offered the example that weaker armies are beating stronger ones more often than not. The resilience of actors ranging from the Taliban to Somali pirates indicates, for Naím, that the shift in global power is a significant challenge that U.S. defense policy must tackle. He also explained how the nature of power is undergoing a transformation beyond a mere shift among nations, groups, and regions.

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The authors would like to thank Jonah Friedman, Eli Jacobs, and Stephanie Spies for their contributions to this section of the report.

Naím then argued that it is no longer clear that more money buys a nation more defense. Rather, there is the possibility that during this budget drawdown, the United States will discover that it can do better or more with less. Just as when businesses undergo substantial restructuring and become more productive by changing the way they do work, a defense budget drawdown may force the United States to look at problems differently and to change the way things are done. If this is the case, Naím argued, then a smaller defense budget—that nonetheless will still be enormous by global standards—could in fact result in stronger defense.

#### **Michael O’Hanlon**

Defense policy commentators increasingly argue that fiscal discipline will require the United States to do less. Unfortunately, Michael O’Hanlon argued, the United States does not have this luxury. Therefore, the United States should cut its defense budget and assume greater risk, but do so within a framework that retains America’s core interests and focuses on executing missions more economically, efficiently, and cleverly.

O’Hanlon stated that there are four theaters where the United States has no choice but to stay engaged: the Western Pacific, specifically China; the Korean Peninsula, specifically North Korea; the Middle East, where the rise of a belligerent Iran offers ample opportunity for regional destabilization; and the wider Arab and Muslim world, where turbulence and linkages to transnational terrorism threaten contagion. These four theaters present problems that the United States might be interested in avoiding, but as O’Hanlon stated, “You may not have an interest in dealing with war, but it may have an interest in you; you may not have a preference in dealing with these kind of problems, but we don’t always have a choice.” As a result, he argued that the downsides of getting defense policy wrong in these four theaters would be far worse than the marginal cost of engaging the issues in the first place.

#### **Christopher Preble**

The central goal of U.S. defense policy should not focus on getting the United States to do less, but rather on getting other nations to do more, Christopher Preble argued. For Preble, current U.S. behavior and rhetoric discourage U.S. allies from fully providing for their own defense, thereby fostering weak and dependent allies. Indeed, the United States has long positioned itself as a “benevolent hegemon,” a stance that incentivizes our allies to rely on us for security and to underprovide for their own defense.

As a result, Preble argued that the United States should adopt a new strategy: one of “restraint.” He defined restraint as a strategy that refrains from using U.S. power except when vital interests are at stake, shapes the U.S. military based on the assumption of being less involved in global affairs, and focuses on U.S. retrenchment so that allies are more likely to step up. While some commentators argue that there is no alternative to U.S. hegemony, Preble believes that this circumstance is by U.S. design and, in turn, that the United States can foster a new system that is less dependent on U.S. military power, but in which the United States remains engaged through diplomacy, trade, and cultural exchanges. Despite this recommendation, Preble did state that the United States can afford its current approach, but that to continue funding this approach, the U.S. taxpayer will have to pay more for the

military and expect less from the government, deciding which government services to eliminate in other areas.

## Panel 2: Principal Missions and Capabilities for DOD

### Max Boot

Max Boot expressed deep concern over the future of American primacy, which he argued has underwritten defense and international security since 1944, given recent cuts to the defense budget. The implementation of the trigger provision of the Budget Control Act would be particularly catastrophic. Under this mechanism, the U.S. Army would shrink by more than 20 percent and the Marine Corps would face additional cuts. The United States would lose 60 ships from a historically small Navy and modernization programs, like the F-35 Joint Strike Fighter, would be jeopardized.

Boot argued that there is neither political will to cut defense commitments nor consensus on defense priorities. Thus, we should anticipate maintaining the same mission set well into the future. This includes defending the homeland, ensuring area access, maintaining the balance of naval power, providing for the global common good, and executing disaster assistance and relief operations. Indeed, there is bipartisan support for issues such as tsunami aid for Japan and intervention in Libya and Afghanistan, and there will be calls in the future to deal with issues such as Pakistan, North Korea, China, and transnational threats emanating from Yemen and Somalia, he argued.

Given the current political climate, budget cuts will most likely produce a scenario in which this mission set is maintained with less capability, in turn creating the conditions for hollow armed forces, as confronted in the 1970s, with older ships and aircraft and greater stress on personnel. Although missions could probably be cut at the margins, Boot argued that there is no reason to be confident in Washington's ability to wisely prioritize missions. As a result, diminished capabilities will run up against an increasingly threatening world, leaving the United States with only minimal capacity to address emerging problems. Short-sighted efforts to reduce defense spending through the elimination of entire capabilities will enable such threats to grow exponentially, thereby undermining both American security and the security of the international system.

### Nathan Freier

A great danger for the DoD is that it might revert to its traditional biases about the nature of war: that it is always violent in nature, that it is binary (us vs. a single easily defined adversary), that it is organized by our standards (and principally hierarchical), that it has an internal logic (e.g., our adversaries have easily discernible strategic objectives and act according to a coherent design focused on achieving them), and that it has a definite beginning and end. The central bias is that the most consequential threats always emerged from the armed forces of adversary states. (see Slide 1). This bias can cloud decisionmaking about future capabilities.



## Slide 1

### One Intellectual Obstacle for DoD: Prevailing Biases About War

- War must:
  - *Be violent in nature* — Today MCO, COIN, and CT are in the club;
  - *Be binary in character* — Us against Them; the enemy, the insurgents
  - *Be organized “by our standard”* — “Surely someone’s in charge on the other side”; remember the “FRE”...
  - *Be internally logical* — The enemy’s strategic objectives are...; the enemy’s center of gravity is...
  - *Have a beginning and an end* — *There can’t be war or conflict without a winner and a loser*; just the thought of anything less is un-American...
- *Above all, **real wars to DoD are still military in their origin and character**; Thus, an opponent’s potential military lethality remains the gold standard for assessing our readiness and risk.*

*These biases often perpetuate an outdated DoD worldview.*

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In reality, Freier argued, we face a much more unconventional future—a future that violates many of the prevailing biases DoD prefers to maintain. There are a number of acknowledged threats in this regard, such as terrorism and proliferation. The United States will also face threats arising from states that maintain just enough niche military capability to draw U.S. attention away from the areas of real competition, such as economics, draining critical U.S. resources on defense programs that might be applied more effectively in other domains. Further, the United States may confront the failure of important governments or contagious pan-regional political instability requiring rapid infusion of military forces to restore some modicum of stability. Finally, proxy violence by competitors is also increasingly likely.

Moving forward, a number of myths should be dispelled. First, Freier argued, the return of the Rumsfeld revolution is misguided—high-tech surveillance and precision engagement will not solve all or even most defense-relevant problems. Second, given across-the-board budget cuts affecting all U.S. government agencies, it is unrealistic to expect that the military will be able to divest from “non-military” contingency functions in stabilization and homeland security (as commonly envisioned by advocates of greater “whole-of-government” solutions). Third, prevention has become a new theology. Many now see building partner capacity and security force assistance as foolproof ways to avoid future interventions. Freier believes that, while prevention is important, DoD should consider that every resource devoted exclusively to it may be one less available for contingency response, and the current threat environment may demand multiple, simultaneous responses against a wide variety of contingency events. Finally, the United States faces both declining allied/partner consensus and capacity, so we should not expect allies to assume U.S. defense commitments (see Slide 2).

## Slide 2

### ***BLUF: An unconventional future and new defense conservatism***

*Yes, "unconventional" threats will dominate DoD's future operating space.*

- An expanding set of unconventional threats; and
- New skepticism about extended commitments and costs.
- Traditional defense biases.
- Flat or declining defense resources and smaller U.S. forces.
- Inadequate interagency growth.
- Theological attachment to prevention; at the expense of response?
- Declining allied consensus; limited partner capabilities.

*Future "opportunity cost" the greatest unseen risk of the Iraq and Afghan Wars?*

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The six core missions for the DoD also suggest an unconventional future (see Slide 3).

## Slide 3

### ***QDR's Six Key Missions***

- 1) Defend the U.S. and support civil authorities;
- 2) Succeed in COIN, STABO, and CT;
- 3) Build partner capacity;
- 4) Defeat A2/AD opponents;
- 5) Counter proliferation and WMD; and, finally,
- 6) Operate effectively in cyberspace.

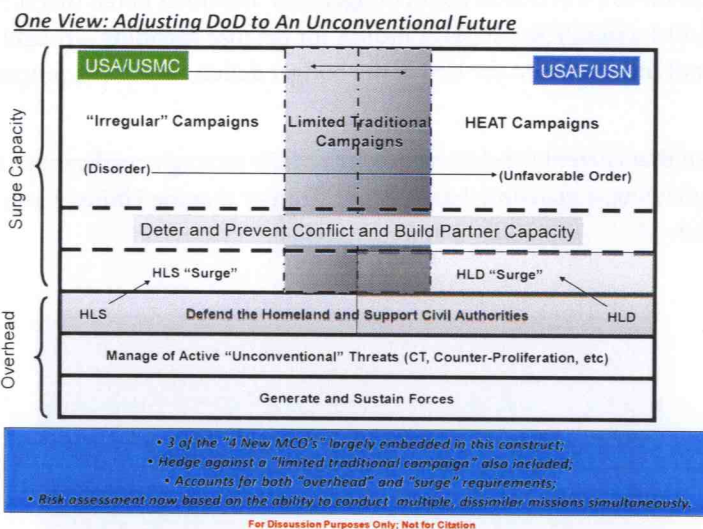
*Combined these help push DoD in a new more "unconventional" direction. But, are they too rooted in recent experience? Are they institutionalizing over-preparation for our current challenges?*

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If major contingencies are the "crown jewels" of force planning, capabilities development, and resource allocation, then DoD would be well-served focusing on four archetypal scenarios: first, a catastrophe in the United States or Western Hemisphere—such as natural or human disasters, pandemics, or surreptitious attacks on U.S. soil; second, strategically significant foreign disorder—especially in states where critical infrastructure, resources, important geography, or dangerous military capabilities are at risk or in regions where contagious instability would pose grave hazards to important U.S. interests; third, emergence of an unfavorable regional order, such as the potential of shifting balance of power in Northeast Asia or the Persian Gulf; and finally, a coordinated war-like, nonmilitary campaign perpetrated against the United States and its interests that has war-like effects and that is conducted with methods that leave the United States without a legitimate casus belli. The latter event would largely sideline DoD.

Freier then noted that there is currently a rough new division of labor between the services: the Navy and Air Force are now best postured to contend with unfavorable order through coercive campaigns, while the Army and Marine Corps are more appropriate to addressing problems of disorder such as civil war, insurgency, state failure, counterterror, or intervention in the developing world. The lethality of the latter, however, increasingly approaches that of major conventional combat campaigns. With each service focused on one side of the disorder/unfavorable order spectrum, capabilities overlap at the center, allowing for aggregation that enables military operations against more conventional state-based opponents (see Slide 4). Thus, major combat operations have become the lesser-included case.

#### Slide 4



Finally, Freier argued that the United States must show more discretion in its military interventions (see Slide 5).

#### Slide 5

**BLUF II: A new realism on foreign intervention**

Future large-scale U.S. military actions will :

- Occur only when there is an obvious threat to an acknowledged interest.
- Be limited to a more consequential set of potential contingencies.
- Be undertaken with fewer numbers but potentially greater capability.
- Center on quick results achieved mostly by U.S. forces; and, finally,
- Focus on a limited set of minimum essential outcomes.

For Discussion Purposes Only; Not for Citation

### Frank Hoffman

Frank Hoffman argued that the United States would benefit from some perspective when discussing austerity. At present, the United States outspends the rest of the world on defense and any combination of defense rivals by a factor of three. This is partially because we fight abroad rather than at home; however, Americans have yet to honestly acknowledge the resultant disparity in capabilities.

The current budgetary plan calls for \$470 billion in cuts over 10 years, which is 8 percent to 10 percent of the defense budget. Such a cut would represent about half the size of previous post-war build-downs and the decline would be nowhere near as precipitous. This magnitude and pace will be acceptable if carefully managed, but sequestration would be catastrophic for defense—and indeed is designed that way to encourage substantive discussion about budget cuts. Hoffman noted that it is important to remember that we borrow significant sums of money for defense spending—roughly \$200 billion per year—so defense is not immaterial to the size of the budget deficit, which is a potential security concern going forward.

Hoffman then argued that current conditions call for orderly strategic readjustment along the British model of offshore balancing, a maritime-based grand strategy that the United Kingdom pursued with some success (see Slide 1).

#### Slide 1

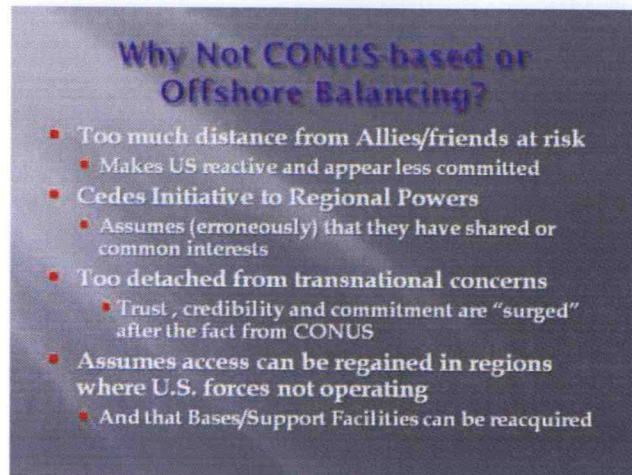


**A Strategy of Forward Partnership**

- Allows strategic freedom of action vice intensive “entanglements”
- Reassures allies and builds up partners, with limited footprint and maximal freedom of maneuver for the NCA
- Focuses on prevention/partnership and on critical national interests in global commons
- Leverages US competitive advantages—especially expeditionary power projection
- Preserves relationships and leverages capabilities of partnered regional players in pursuit of US interests

Hoffman went on to clarify that “forward partnership” would perhaps be a better descriptor of his proposal, given the recent employment of the term “offshore balancing” by some proponents. Under this formulation, the United States should not be so far off shore that we are back in the continental United States; rather, we should remain forward enough to leverage our competitive advantage in naval, air, and space capabilities while also reducing our manpower abroad. Such a strategy secures U.S. freedom of action while avoiding strategic entanglement. It also preserves a signal of commitment to our allies, whose capabilities we should develop and leverage, as opposed to allowing for the creation of client or vassal states (see Slide 2).

## Slide 2



**Why Not CONUS-based or Offshore Balancing?**

- Too much distance from Allies/friends at risk
  - Makes US reactive and appear less committed
- Cedes Initiative to Regional Powers
  - Assumes (erroneously) that they have shared or common interests
- Too detached from transnational concerns
  - Trust, credibility and commitment are "surged" after the fact from CONUS
- Assumes access can be regained in regions where U.S. forces not operating
  - And that Bases/Support Facilities can be reacquired

Operationally, this would mean increases in naval and perhaps some aerospace forces while preserving special operations forces (SOF) with reductions elsewhere. The Navy would ensure access to certain areas and secure global trade and energy flows. The main goal of such a strategy would be sea control rather than power projection, and some ships would be used for strategic reassurance (see Slide 3).

## Slide 3



**A Strategy of Forward Partnership**

- Places a priority on naval maneuver forces to generate both strategic and operational freedom of action in priority regions
- Naval forces ensure ability to secure global commons to U.S. advantage as needed.
- Naval forces structured to ensure sea control and to provide regional reassurance and crisis response with tailored naval expeditionary assets
- Naval forces exploit national resources in U.S. advantages in Space, Cyber, ISR and SOF
- Footprint ashore in foreign countries minimized to security assistance and any necessary support facilities.

Aerospace and SOF would be used for flexible crisis response, allowing us to exploit our comparative advantage. Air attack and the strategic deterrent would be decreased, along with fixed foreign presence (see Slide 4).

Slide 4

**Force Design Factors for a Strategy of Forward Partnership**

- Priority on long-range maritime power projection platforms to generate strategic and operational freedom of action
- Extend capability to control the global commons and critical international trade links
- Maximize enough credible combat power projection ability to provide Strategic Reassurance
- Leverage U.S. competitive advantages in stealthy undersea assets
- Maintain a highly ready, crisis response posture where needed
- Surge Joint war winning capability from CONUS

Finally, Hoffman argued that we need to avoid a repeat of mid-1990s enthusiasm about technology. War cannot be reshaped in our own terms, and, as General Petraeus noted, we should not prepare for the wars we are inclined to fight, but for the ones we are likely to fight (see Slide 5).

Slide 5

**Wrap Up**

- Offshore Balancing displaced by Forward Partnership
  - Discriminate and flexible
- Strategic Reassurance & Conv. Deterrence stressed
- Prevention & Partnerships stressed over fixed stationing posture
  - Reduced overseas presence overall
  - With commensurate AC ground force cuts
- Greater reliance on naval expeditionary forces to Reassure, Deter and Respond.

"We know with a sad certainty that war has a healthy future. What we do not know with confidence are the forms that warfare will take." Colin Gray

## Keynote Address

### William S. Cohen

William Cohen began his remarks by highlighting the need to define the role of the United States in the world today. He noted that some are calling for the country to “come home” and focus its efforts on domestic problems to the exclusion of all else. However, the United States cannot ignore the world and retreat into a continental cocoon. Rather, it must continue to engage with the rest of the world.

The question then becomes one of how the United States accomplishes this in a changing and uncertain world. Does it do so unilaterally or as part of a posse, as it did in the case of Libya, Cohen asked. Regardless of the specific strategy involved, he argued, we must be both forward thinking and forward deployed in order to readily respond to rising threats.

In particular, China will be a major consideration in the coming years. It has undergone perhaps the most dramatic transformation of any state in history, and there is growing sentiment among defense planners that it will present challenges to U.S. freedom of operation in the Pacific. As Beijing continues to expand its military capability, however, it must be careful not to exhibit its power too frequently or too eagerly, which could in turn generate fear among its neighbors and trigger counterbalancing efforts.

Cohen additionally stressed the need to consider the political consequences of making cuts to the defense budget, drawing particular attention to the impact that base closings and consolidations might have on the public’s perception. He then emphasized the need to preserve research, development, training, and education, while also preparing for the eventuality of reduced forces.

Finally, Cohen emphasized that our problems are chiefly related to a crisis of confidence and political leadership. The United States remains a great power, he argued, but it needs to adopt the stance of a “reluctant sheriff,” maintaining a strong and capable military that is deployed only after thoughtful consideration. “We can’t do more with less,” he concluded; “we will have to do less with less.”

## Panel 3: Domestic Implications of a Defense Drawdown

### David J. Berteau

Although the proposed reductions may not be as severe as in past drawdowns, David Berteau argued, DoD must plan for more extensive cuts in the years to come. There is currently an appreciable disconnect between DoD’s rhetoric and behavior. Indeed, while the DoD budget will come down more than \$450 billion in the next 10 years, under any scenario, there does not appear to be any visible planning for cuts beyond the \$450 billion mark. DoD planning for this scenario is critical, Berteau noted. It is possible to conceive of cuts in substantial excess of \$450 billion that are not harmful to defense as long as the majority of the reductions are in out years, thereby allowing DoD the time to formulate the appropriate force structure, mission, strategy, etc., and to invest in the appropriate

capabilities. However, DoD has failed to recognize the inevitability of defense cuts and, as a result, has yet to begin this planning process.

In addition, Berteau argued that the impact of the proposed reductions on the defense industrial base is under-analyzed, with DoD instead focusing on the potential effects of sequestration on the unemployment rate. This is a mistake, he submitted, as there is a grave risk that third- and fourth-tier suppliers, as well as the industrial bases for vital capabilities like satellites, will simply disappear. Furthermore, U.S. policy fails to recognize that what the United States is buying and where it is being developed is changing. As a result, we lack the structure necessary to take advantage of the globalization of technology, particularly with regard to communications and electronics. Berteau also argued that defense spending is a very inefficient way to invest in economic development. In support of this, he cited a study conducted in the wake of the Cold War drawdown that concluded that when there is 4 percent real growth in the economy, drawdowns have limited impact; when there is only 1 percent real growth in the economy, no level of defense spending will be sufficient to trigger development. For this reason, the United States should spend money on defense for national security reasons, with potential economic consequences serving as secondary benefits rather than primary justifications.

In conclusion, Berteau noted that the history of military drawdowns indicates that the United States will continue to build down until it has a reason to build back up. Thus, we should assume the United States will be drawing down for the foreseeable future and should determine several important facts as part of a broader national research agenda. First, we must determine whether there is a relationship between defense manufacturing and the ability of the U.S. manufacturing base to remain globally competitive, thereby identifying areas in which the United States should spend its defense dollars. Second, the United States must determine the stimulus nature of the defense industry, which is currently obtained only through supplemental funding and used for operations, not investment. Third, the defense capital budget must be converted into a capital budget process. Fourth, the United States must improve its scoring mechanisms for financing. And finally, the United States must learn more about the second, third, and fourth tiers of its defense industrial base in order to more successfully manage the coming drawdown.

#### **Steven Grundman**

Steve Grundman argued that, even if it is not possible to hold defense reductions to \$450 billion over the next 10 to 12 years, the additional cuts that might be associated with sequestration would not produce terribly devastating macroeconomic effects on growth and employment or microeconomic effects on the defense industry. Such cuts would, however, present profound strategic issues for the U.S. defense posture.

Grundman first noted that while many people view the super committee as a savior and sequestration as a cataclysm, it is worth remembering that the Budget Control Act requires \$1.2 trillion to be removed from deficit projections regardless of which course gets us there. Consequently, even the super committee can only spare defense further cuts if it is able to identify additional revenues or reductions from Social Security and Medicare. As a result, Grundman believes that there will be at least some additional reductions to projections of defense spending, even if sequestration is averted.



Using the baseline of the actual momentum of defense programs implied by the fiscal year 2012 budget request (as calculated by the CBO), Grundman believes the worst-case scenario should assume an aggregate reduction of 15 percent to the base defense budget, a figure squarely within the range of all of the different projections being discussed.

Grundman then discussed the macroeconomic significance of these cuts for GDP, employment, and the solvency of the government. The impact on GDP would be relatively small, reducing direct spending that the DoD puts into the national economy by \$85 billion per year, or three-one-hundredths of a percentage point compared to today's GDP. The impact of a 15 percent reduction would be more appreciable on employment, but not nearly as dire as other projections (*viz.*, House Armed Services Committee, Aerospace Industries Association) that lend much greater credence than would Grundman to second-order (so-called indirect) effects on employment. Still, a 15 percent reduction in only direct, defense-related employment would result in a loss of half a million jobs, adding one-third of a percentage point to the unemployment rate. In terms of fiscal solvency, Grundman expressed skepticism over the ostensible impetus for such dramatic reductions, pointing out that in the very week following passage of the Budget Control Act, global investors' clamor to buy U.S. Treasury bonds drove their yields still lower than the already historically low levels between 1 and 2 percent.

Turning to the microeconomic impacts, Grundman asserted that additional reductions in defense spending will focus disproportionately on the Pentagon's investment accounts that fund research and development and procurement, particularly if the reductions occur on a compressed timeline as a result of sequestration. The resulting impact on the defense industry will be cushioned by the extremely healthy financial condition the industry currently enjoys after a decade of growth. On the other hand, the industry has now built up a substantial base of relatively inflexible assets that will constrain its ability to adjust rapidly to changes in both the size and composition of demand. Changes to *what* and *how* the Pentagon wants to buy, Grundman surmises, may present the industry with an even greater challenge than adapting to reductions in *how much*.

#### **Todd Harrison**

Todd Harrison argued that there are conflicting perceptions of the magnitude of the Budget Control Act's impact on the defense budget over the next 10 years, largely as a result of the use of different baseline numbers. The higher the baseline one compares to, the larger the impending defense cuts will appear. Harrison noted that the highest baseline being used is the 10 year projection in the president's FY12 budget request, while the debt ceiling debate centers on the lower CBO baseline; the FY11 baseline of current appropriations for defense has also been used. Using this latter baseline, the initial cuts offered in the Budget Control Act would reduce the base defense budget by 1 percent, and by 11 percent if the sequestration trigger is implemented. In contrast, the "doomsday scenario" invoked by certain defense planners utilizes the FY12 baseline to calculate a 17 percent trigger reduction.

However, because war funding will also decrease over the next decade, the overall reduction will be greater than these numbers suggest. If sequestration goes into effect and war funding is reduced to zero, the total defense budget reduction will be 31 percent, within the norm of what one would expect at the end of a major drawdown. Yet, Harrison argued, this downturn is different from previous budget

cycles, as it was not preceded by a conventional buildup and, in fact, saw the delay or cancellation of numerous modernization projects.

Reducing the budget or keeping it consistent over the next decade will require significant reductions in military capabilities, but it does not have to represent a doomsday scenario. Rather, DoD should change the way it does business as well as the business it does. DoD should take on tough issues—including growth in personnel costs, and military healthcare specifically—and fundamentally reform the military compensation system in order to change the way it does business. Additionally, DoD should make strategic choices to tailor missions more narrowly, thereby changing the business that it does.

In closing, Harrison argued that cuts in the defense budgets should not be “fair and balanced” across the services, but instead should reflect a fundamental shift in strategy. Defense cuts should be targeted at low-priority capabilities, thus enabling the United States to invest in higher priority capabilities designed to meet the threats of the future.

## **Panel 4: Alternative Affordable DOD Force Structures**

### **Gordon Adams**

Gordon Adams argued that, contrary to the claims of the chairman of the House Armed Services Committee, the United States is currently in a defense builddown and, furthermore, that the real factors driving us into this builddown are being obscured by political theater. Adams predicted that sequestration will not go into effect because both the date of implementation (following mid-term elections) and the history of sequestration (previous attempts have been reversed by Congress) create a barrier that is unlikely to be overcome. Nonetheless, Adams projected a defense drawdown that will be substantially greater than \$450 billion, given the primacy of debts, deficits, jobs, and other economic considerations within the current political debate.

In contrast to many other panelists, Adams argued that the United States has not faced an existential threat in 20 to 30 years, does not currently face an existential threat, including China, and is unlikely to face an existential threat for at least another 20 to 30 years. He did, however, note several imminent threats (see Slide 1) that will require prioritization within defense planning, including cyber (for which, he noted, conventional buildup is not a prescription), terrorism (for which ample capability already exists in the special operations forces), and conventional aggression (for which large ground forces are not required), as well as one mission that should be de-prioritized—counterinsurgency.

As a result of these changes in mission, Adams argued that forces could come down by about 175,000, including about 100,000 active duty combat forces. Adams also contested the view of previous panelists who asserted that U.S. forces are in decline, instead arguing that substantial components of the military have been modernized by recent acquisitions.