

Center for Strategic and International Studies (CSIS)

Considerations for the 2014 Quadrennial Defense Review

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Location: Center for Strategic and International Studies,
Washington, DC

Time: 2:30 p.m.
Date: Friday, January 25, 2013

Transcript by
Federal News Service
Washington, D.C.

CLARK MURDOCK: Well, first of all, I want to thank all of you who are still here. I understand this takes considerable intestinal fortitude, going through a full day of talking heads. We always save, in my mind, the broad, integrated panels as the last panel because you've got to have the components that lead to them. Unfortunately, that's also sort of in disproportion to the intestinal fortitude of all the audiences. And we've lost a few people, but it's been a great day, and I look forward to this panel as we close it down.

After going through sort of prescriptions for the next QDR, I thought in this last one we would be talking to people who essentially are saying to the QDR, do as I tell you to do, in a sense. And so Tom and I go way back, and he's going to be the first one to say, do as I tell you to do.

Tom Donnelly.

THOMAS DONNELLY: (Chuckles.) Clark, I'm actually going to give up on that prospect, you know. I've been saying that for decades and decades, and I finally caught onto the fact that nobody is paying attention.

So Clark did give us a fairly loose mandate for this panel. So I thought I would talk about a few things that actually – I think the posture I'll take is that if I were one of the guys doing the QDR process, what things would be on my mind, and particularly some things that are kind of outside the framework that we've talked about through the course of the day, and some things that are really even things that planners might want to think about, but are not strictly speaking QDR issues.

And the first question that I would ask myself would be about the strategic guidance, the defense guidance that the president issued about a year ago, which, to my mind, is a pretty radical departure from what came before it, as is – as are the force-planning constructs that are associated with it.

So if I were a planner, I'd ask myself, is this real? Is this going to last? Or is this a temporary phenomenon that's going to be reset with a departure from President Obama from power? And in particular, is this sort of generational re-posturing of U.S. forces in the Middle East something that is going to stand, or will we find ourselves essentially fighting for the ground that we've taken 30 years to take, as it were?

And to frame the question most broadly, so are we going to revert to a more traditional U.S. national security strategy instead of strategic goals?

Those of you who were here at lunch heard Steve Hadley talk about the QDR independent panel, for which I did a little bit of the back-bench work. And to the degree that that panel reflected what used to be the consensus about America's role in the world and about how to go about securing it, I'm just going to sort of stipulate that as the bipartisan consensus to which we might yet return, and in particular the idea that we will continue to be forward engaged, just to use the awful term of art, across the Eurasian land mass. The numbers might change, but that we would not adopt a posture of off-shore balancing, particularly in the Middle East, because,

since we've tried that a number of times before and it hasn't produced the outcomes that we'd like and we may have been dragged kicking and screaming to an on-shore posture, that's where we've increasingly been certainly since the early 1990s.

Or will we come out of this four-year period with a fundamentally transformed approach to the world, one that will be not only withdrawn in the Middle Eastern theater, but increasingly tolerant of China's rise? Without defining what that means in some – you know, we could talk about it in greater detail later and other presentations of the last panel dealt with it in more detail.

Or will we kind of be in some sort of transitional muddle, lurching back and forth because maybe something bad has happened in the world, but it's not that bad that it forces us to go back to the full traditional Monty, so to speak?

So I think, you know, this QDR, we have always told ourselves we're planning, you know, for uncertainty or in uncertain conditions. I would regard the forthcoming QDR as sort of extremely, violently uncertain. And the biggest question mark is about the United States. So that's going to make durable defense planning, defense planning that's going to really stand the test of time, that will provide, you know, useful guidance for programmers and, you know, force development? I think that's going to be more challenging than ever; set aside the money questions which are going to be challenging enough.

So what should a force planner do in that case? Well, if things are even more uncertain, there are some people who have said for even more hedging, and the principle maybe ought to be do no harm, don't do things that are irreversible or irreversible, to be grammatic about it, and avoid the excesses of enthusiasm, like don't build anymore Special Operations forces, don't buy too many more low-end drones.

We talked earlier in the day about our nuclear posture. Don't be in a rush to go to nuclear zero. We may not know exactly what the size and (uncertainty ?) of you say China's nuclear arsenal is going to be or what kind of deterrence role we would foresee for ourselves, extended deterrence, or what kind – what a deterrent between, say, India and Pakistan or Iran and the rest of the Middle East might look for, but don't foreclose the option to be able to do something about it.

And in that regard, be really wary of New START programs. And I think that's something that commends itself budgetarily. Because even all the nifty goodies that are on the horizon in the current budget environment are not things that – you know, you ask yourself, can I bring this to a reasonable level of maturity over the course of the next administration, you know, the future that I can really predict?

Where am I going to be programmatically five years from now? I may want, you know, an unmanned system for my carriers really badly, but even if I were to eat up all the diminishing supply of F-35 money, you know, is that going to really work? And I would preserve service and sort of probably more, well, broadly speaking, a balance of capabilities.

People always whinge about surface places. Part of the reason that surface places stay the way they are is because the United States needs a variety of military capabilities, you know. This has been a new-new idea as long as I've been alive; it's always been rejected as long as I have been alive. We should resist the temptation to think that it's really as neat as it appears to be.

And finally, I would protect people, even though their health benefits cost a lot. I don't know – anybody who has been following what's happening with stress rates and suicide rates and all the stresses that are applying to the Army in particular, but to the land forces more broadly, and I would stipulate pose real serious questions about the health of the all-volunteer force, and that means a force that's a lot older, a lot more married, has larger families, et cetera, et cetera.

All the things that used to be measures of stability during the Cold War when we invented this thing and when we started putting the programs in place to sustain it, may or may not be optimal for the future. A Marine Corps commandant once said that he didn't think Marines should be married – if I can, you know, summarize – but he had a point. If we're going to send guys out to the back of beyond to patrol our perimeters, that makes it really difficult to have a normal, sort of middle-class American family life. We could be just asking too much of the people.

There are couple of sort of outside-the-department planning factors that I think are worth trying to develop analytical processes for, alliances in particular. And I think mostly, not about old alliances, but new alliances. If our strategic concerns are essentially focused or geopolitically focused on the Middle East and East Asia, we have to do something to better stitch together our traditional East Asia Alliances.

The old hub-and-spoke model is not ideal if you want to knit together, not a China containment alliance, but a China deterrence alliance. We really have to just never talk about containment ever again. That's a policy question, and as the previous panel pointed out, probably a fool's errand in the first place. It may be possible, however, to deter China from rising in power and dominating a region and using military force to short-circuit that process and upset the balance of power there.

So a little bit more refinement in that area or a lot more refinement actually is called for.

And finally, we don't have a working alliance that extends across the Middle East. We never have, and we're – we have – I think we're at the point where we're actively just, you know, making ourselves unattractive to be at the status quo local governments. Local governments may come into power after social or military revolutions. Anybody who might be on our side is probably looking at us at the moment and saying those guys don't look like they're very interested, don't look like they have any staying power and won't help me out if I get in trouble.

I don't think that's a really great recipe for any strategy to stabilize the Middle East. But again, this is a moment for strategy. You know, the narrow al-Qaida terror war is clearly not even arguably the most important part of the war. And the Bush administration missed a huge

opportunity to frame the post-9/11 moment as something more traditional, broader and geopolitical.

There's a new force in the region that's contributing to the instability and the violence in the region. But what we're looking for is a traditional geopolitical outcome.

So at any rate, events.

And secondly, also talked about before is we need to do some serious sort of quantitative analysis of what kind of defense industrial base we need, to include the services support contractor base. It's part – it should be part of our mobilization plan. It should be part of the defense planning process, an explicit part, something that, you know, that everybody in the process can get their hands on. Even to start figuring out how to analyze that would be a good thing to do. You know, the past QDRs have not addressed that in any systematic way.

Finally, I think there's just kind of some outside-the-QDR, outside-the-Department-of-Defense issues that are certainly going to be in the background and are worth thinking about.

Talked a little bit earlier about the health of the all-volunteer force. Related to that, we have seen that has produced, over the long haul and now under really trying circumstances, a big gap between civilians and people in uniform and a lack of understanding primarily among people who have to – really are responsible for making the strategic decisions of kind of the fingertip feel for uniform life, the way that people in uniform think, so on and so forth.

How to fit that into the traditional QDR processes, I don't exactly know. But we may not be interested in civil-military relations directly in the QDR context, but that will have an affect on the way the process is done.

Same is true of executive-legislative relations. It's not just the partisanship, it's an institutional split. And since the responsibility for our defense structure, you know, is spread across both branches of government, there are so many changes in the legislative branch where I've done my past congressional – or pardon me, past government service, that that is something that the department needs to attend to more directly.

Again, not directly a QDR issue, per se, but the QDR is a mandate from the Congress, as is the outside defense panel. And part of the problem of this process in the past has been a lack of transparency from legislative – or executive to legislative branch. There's – just because there's a disproportionate size difference between the two branches, there's a limit to what the Congress can do.

But the people who do the QDR this time around ought to make the extra step, not just to reach across the partisan divide, but to reach across the institutional divide and try to make it a more transparent, if not more inclusive process.

And if there's any way in which the degree of partisanship in our politics could have really a, you know, a near-term catastrophic effect, I think it's in national security issues.

I think the rest of my sort of public career will be spending – be spent trying to preach the gospel, not to moderate Democrats who are pretty thin on the ground anyway, but simply trying to talk to other conservatives and younger members of the Republican Party.

The consensus for defense that we all grew up with and existed from the late 1940s onward, plus or minus, is really eroded and degraded. Again, it's not something that's an analytical part of the QDR, but for people who are doing the QDR, it's the context in which the review is going to be conducted. And I would say that the review, you know, has become kind of a permanent bureaucracy, is always an opportunity that's been missed.

But now there are consequences. If this is a document that purely serves to answer questions inside the department and doesn't do some form of communication across these divides that I've talked about, that's a big opportunity missed and, to some degree, the QDR will have failed to do what we need it to do.

Sorry for rambling on. Thank you, Clark.

MR. MURDOCK: Thank you very much, Tom.

Barry Watts.

BARRY WATTS: My understanding of QDR is that they were supposed to be about strategy. Although as most of us know, they've generally been about budget drills. So what I'll try to do is talk about some of the factors that I think will affect or constrain DOD's strategic choices, and I think there are some big strategic choices ahead, and offer a few thoughts about how you might think about making those choices.

I assume that resource constraints have pretty well been covered to the point that nobody wants to hear too much more about them. Our situation from a budgetary standpoint is that if you go back to 2001, FY '01, the baseline defense budget was about 300 billion (dollars); it grew over 530 billion (dollars) or so by FY '12; we're looking at a downward descent that's probably going to continue for the rest of the decade.

As you're well aware, Congress and the White House have agreed to reduce the top line by about 475 billion (dollars) over the next 10 years. You've still got the sequester, revised, hanging out there.

The Pentagon, over five years, has sort of pledged itself to about 200 billion (dollars) in efficiency savings. I will believe those when I see them. Even 20 percent of that would be monumental.

And lastly, which has already been mentioned, the all-volunteer force, like Social Security, Medicaid and Medicare, the rising costs of the all-volunteer force are probably fiscally unsustainable in the long term. And what we're going to do about those – what we're going to do about that is really hard to say at this point.

But those are some of the constraints. Now, I'll make one prediction, which I should caveat by saying I think human capacity to make accurate predictions of the future, going out even a few years, is very, very limited. Nonetheless, I think 2016 will roll around, we'll be at the end of another difficult presidential campaign, and the national debt, which is at over 16 trillion (dollars) right now, will probably be somewhere in the neighborhood of 20 trillion (dollars).

Will the economy have grown enough to keep that percentage relative to GDP down, to what it is today? Hard to say. We'll see.

Good news and bad news. OK, we're out of Iraq, we're coming out of Afghanistan. As the president reminded us incessantly during the campaign, Osama bin Laden is dead. And my guess is for really large-scale, protracted nation-building kinds of enterprises, there's just not much appetite for that in the country or, I think, in the national security establishment.

And so if I was going to guess, we probably won't do anything comparable to Afghanistan and Iraq through the end of this decade. That's kind of good news.

On the other hand, as people have said, al-Qaida is not exactly on the run at this point. Terrorism is a – as Benghazi and the recent attack on the BP refinery in Algeria reminded us, there are still some problems out there in that area vis-a-vis Afghanistan. The Taliban does not appear to be exactly on the run either, yet. So there are those residual problems.

And I'd just remind everybody of the opportunity costs of those two campaigns; about 1.3 trillion (dollars). There were a lot of things purchased, like the MRAPs, for example, for somewhere in the neighborhood of 47 billion (dollars). Last time I talked to any Army people, nobody was willing to confess that there was an Army unit anywhere that actually had a TO&E requirement for the MRAPs.

So we invested in some things, a large number of high-end UAVs which are generally only survivable in permissible air environments and aren't going to be applicable in denied air environments.

And lastly, I'll just touch on something which came up repeatedly when I was in PA&E back at the beginning of last decade. One of the – (inaudible) – that everybody accepted at that point was that the '90s had been a procurement holiday. And I think that's true.

The point I would make is that's extended into the 2000s. I'll just give you one example in the case of the Air Force's inventory of combat aircraft. Except for the 187 F-22s, virtually everything that's there today was funded prior to FY '94.

Historically, certainly during the Cold War, we tried to rely on our European allies. Most of them are not even spending the desired 2 percent of GDP on defense. As we've seen in recent campaigns, sustained operations are very difficult for them without U.S. help.

OK. The first step on doing strategic thinking, I think, is to try to diagnose the problem or the challenges. And I think there you can make a case for the point that was made by the last panel that we are safer today from an existential standpoint than we were, say, in the 1980s when both sides had over 10,000 nuclear warheads deployed and ready to go, on the one hand.

On the other hand, challenges, like terrorism and growing disorder in places like the Middle East, the spread of advanced weaponry, both nuclear, conventional, precision, cyber, so on, and the huge vulnerabilities that we've built for ourselves in space and in cyber, it's not necessarily that they are existential threats, tomorrow morning we'll get up and discover that we're all dead, but they are very difficult challenges from a variety of areas. And that's really the problem I see.

I'll just touch for a second on the nuclear business. The United States, since 2009, as most of you know, is trying to exit the nuclear business. That would be fine if the other nuclear powers and aspirants around the world were also enthusiastic about exiting the nuclear business. But as far as I can tell, when you look at Pyongyang and Tehran, when you look at Moscow, Beijing and so on, even the French are not ready to give up their nuclear weapons.

And if you dwell, for example, on the Russian case, they've actually done substantial modernization. They did a whole new generation of very low-yield nuclear weapons, and they have a doctrine which envisions using a few of those to de-escalate conventional conflicts that would threaten either their territorial integrity or Russian sovereignty.

How do you deter that kind of use, particularly if it turned out to be on Russian soil? I mean, it's just – it suggests that deterrence, as we remember it from the Cold War, needs to kind of be rethought from the beginning, today.

China's anti-access area-of-denial capabilities have been mentioned today. The Iranians on a much smaller scale are trying to do something like that in the Persian Gulf, Strait of Hormuz and so on. Those kinds of challenges are part of a broader piece which is the proliferation of precision conventional military capabilities.

And it's not just the high-end stuff like a DF-21d going after a carrier, but it's also guided artillery, rockets, mortars and things like that, which probably don't require the targeting infrastructures and networks that we use and have grown to rely on increasingly in a network-centric approach to war, which all the services have kind of bought in on over the last decade.

The spread of those kinds of technologies could make traditional overseas power projection for the United States increasingly difficult and increasingly costly. And there's where you sort of start to get to a possible change in our overall international posture. Because if it becomes just too difficult to project power from forward bases with forward-deployed forces in a way we've been doing virtually since the second world war, it may force us eventually to rethink our overall posture and role in the world internationally.

Those are some of the kinds of things that I think will – should affect, I guess I should say, what happens in the QDR.

Let me just make a few closing comments about strategy. I think above all else, strategic choice means prioritization, deciding what things to favor with preferential investment and which things to neglect or, even over time, discard. And that's very difficult for the service bureaucracies to do.

Not everything can be a top priority. If you have 150 top priorities, you don't have a strategy. You're simply trying to do everything as usual, which is where the Pentagon has generally been in the past.

How many really critical capability areas do you think we could have? My guess is a dozen is probably too many. It would be nice if it was a single digit. And that brings me to the strategy review that Andy Marshall was asked to do back in 2001 by Secretary Rumsfeld.

The basic idea of the strategy review was that we were in a position of military dominance. We really didn't have a peer, we were really powerful and really capable; and therefore, the strategy that came out of the discussion was the idea of trying to maintain the areas of – where we had advantage and needed to retain that advantage going forward.

That strategy review came to a very abrupt review when people who were reviewing it outside the Office of Net Assessment pretty much demanded, OK, if you want to focus on a very small number of key areas, tell us what they are. And perhaps unwisely, Andy Marshall produced a short list of suggestions. It was a candidate list; it was not saying to the services these are the ones, absolutely. It was just to kind of illustrate.

Reconnaissance, precision, strike, air dominance, undersea warfare, space, robotics and realistic combat training were the items that were suggested in the list. You will note I didn't talk about heavy mechanized ground forces, and that pretty much spelled the end of that.

Now, the thing I would add to that particular episode was, over the next two or three years there was a lot of effort expended, including some summer studies and other exercises in the building, to try to push everybody towards settling on what a short list of really critical capabilities going forward that we would need in the long term and that we should invest in preferentially might be. No consensus emerged.

I'd just say I'd probably add a credible nuclear deterrent. I, in contrast to at least one earlier comment, I might mention (soft ?) simply because they're doing reconnaissance, precision, strike in real time perhaps as well or better than the big services at this particular point in time. And you might even consider adding cyber to that.

But I just am very skeptical that we will get down to these kinds of strategic choices, given the way the large service bureaucracies are inclined to try to protect the sacred cows. But if you are going to try to do some strategic thinking, these are the kinds of choices I think you're going to be facing.

We may not make them this QDR; maybe it will take two or three more QDRs. If I were in charge, I would probably cancel QDRs – (chuckles) – but that's another issue.

Thank you. End there.

MR. MURDOCK: One sentence too far for this – (inaudible) –

STEPHEN STANLEY: Thanks. With the challenges of uncertain top lines and the strategic changes in the world, I think this QDR is going to be the most significant challenge that I've ever seen.

I'll also share the skepticism that, with all those variables, that it's going to be easy to come up with – I hate to say “easy” – but that the QDR will actually produce something that's useful.

So, I mean, what you're faced with is, in a QDR, is trying to balance strategy and resources. That's fundamentally that a QDR is, trying to balance those two.

So how do – you've got to nail something down. What do you start with? If you say that I'm going to constrain the strategy, then those who argue for a balanced budget will say that the QDR is unaffordable, right? If you say that you're going to constrain resources, then those who argue for increased military spending will argue that it was a resource-constrained QDR.

So the challenge becomes trying to balance those two issues, strategy and resources. It's two variables, right? You've got to have two equations, I mean, for any of you who are math guys. Right? You've got to have two equations or two variables to solve it. I don't know what those are. Right?

So you've got to – that means you're forced into sort of an iterative approach to try to walk it down. And I believe that's going to be an extreme challenge.

The other thing I think about when I think about a QDR is to try to think through, what are the outputs that are necessary? And I certainly share Barry's idea that only a few – to have reasonable outputs, it can't be everything. It's got to be a few things, or it will be irrelevant.

So what are some of those things that could be considered and as desirable outputs? Well, one is the force-planning construct, right? I mean, is it two major-theater wars anymore? Is it what happens in the second one, how (delayed ?) it is and how big is it, you know? We've done all sorts of things over the years of QDRs associated with the force-planning construct. We've gone from two – just basically two major-theater wars, where everything else was an included capability, right? It was a lesser-included capability, it wasn't something we structured forces for, it wasn't something we put resources behind, but if something came up, we used the assets that we had already built, to go do the best we could with it.

That kind of went in, you know, continued to evolve and we went to the one-four-two-one QDR, right, defend the homeland. That wasn't specified in two major-theater wars. I guess

we thought we had to specify that. We're going to be forward in maybe four areas. We're going to be able to defeat two adversaries. And we're going to be able to really defeat one, right? So and again, you know, so that became more of a do-everything strategy.

I think the next QDR took it another step when it recognized the baseline capabilities of going on day-in and day-out around the world, all those things. And we started to structure forces against those types of day-to-day activities.

As somebody said on the previous panel, the last QDR took a significant shift away from that. And I don't know that it's valid or not, but I mean, I believe it was a big move and it actually tried to, instead of just taking a snapshot of some distant future and trying to argue capabilities necessary to two major-theater wars in that future, it tried to say – to take the capabilities we need to win in the struggles we were fighting at the time, you know, Iraq and Afghanistan, come out of them, turn that, you know, to recover from that, to reset the forces, and then build up to the new capabilities we thought we needed for the future.

So each one of those force-planning constructs have become more and more complicated. And in that complexity, I believe they've lost the ability to, I'm going to say, direct service action, OK? It's lost, it's become washed out because you can – as the force-planning construct became more and more general, you can, as a capability advocate, I can go find something in that strategy that says you must have this, right, and try to argue for the resources necessary.

So I think force-planning construct needs to be something that's considered.

In all of these things when I think about outputs, I think that they have to be very broad strokes and only focus in on the few. And I share what Barry said. It can only be a few outputs, a few directive type of pronouncements, it can only be a few that you actually want the services to go do and then – (inaudible) – compliance from.

Another one that I think about is, you know, is, how do we engage? How do we view the nation engaging? We've already talked about, is it from the bastion or is it from forward? What's the value of being forward and pre-positioned around the world? And how do we view that? Are we just going to draw back into the bastion and surge forward from that?

That's something that needs to be considered, because there's huge force implications associated with it. If you're going to be forward and it's going to be forward rotational, there's a large piece of force structure that has to be structured against that. If you're going to be forward stationed instead of forward rotational, that means you're going to have to have all the security, the lines of communication to support those forces forward. There's another whole set of capabilities that are required in order to sustain that. It needs to be defined.

What is the balance of forces that we envision? Is sort of forward versus CONUS, because that's going to establish our ability to surge into conflict when it happens, and where we will be able to be positioned around the world. More forward, we can be in more places. Is that important or not, right? More CONUS, that means we've got a bigger surge available for the conflict when we require it. And how do you balance those two?

And again, this has already been talked about, but in my mind when you think about forces and force-planning construct, you've got to think through what you're going to count on from our allies and our partners, right? They're spending is down, is being constrained just like ours is, so what do we want to count on from there? And can we have the kind of strategy that we want without counting on them?

So that's sort of one line of thought.

The other thing that I think is a statement – is some sort of a statement about what force capabilities, that's kind of what the strategy is, but you've got to also take the strategy and turn it into, what force capabilities do we prioritize?

And you know, it's hard, but are you going to state what force capabilities will not be priorities, right? I mean, that's really, as we look at a constrained-resource environment and trying to balance a strategy against resources, you've got to find places to reduce. And that's, obviously, the hardest thing, you know, about it.

How do we think about the emerging missions, right? Again, cyber has been kicked around, but is that – you know, it's easy not to put additional resources to something. You know, if you say that cyber is one of those areas that requires additional resources. It's easy to just ignore that, right, because nobody is looking for a bill.

But if you say that cyber is a priority and you must – the nation has to get this right, it's going to be invested in, you've also got to try to say, well, what's not the same level of priority? Where are we going to take those resources from?

And then I think the last sort of issue that falls into that category is, how do we view the Reserve and the Guard? Great assets, something that we've got around the nation, very important to our long-term strategy, but how do they play in this force-planning construct, and what capabilities do they bring? And you know, how do we want to think that through?

Because it's going to be very different, right? If the Guard mission is principally, when they're not deployed, is for the state natural disaster-type missions, if that's what they're for, there's a different capability set that we should be – the nation should be buying for them.

And if – then we've got to – but we've also got to allow them the time to grow the capabilities to be the Guard unit that we need to deploy into conflict. So you've got to think through those things. It's not clear to me, you know, that we've ever thought that through to a logical end.

One of the – you know, as we think about the outputs, what constrains our outputs? And I would say that the lower constraint is driven by how we view ourselves in the world, and what that vision demands.

Again, to kind of pick on something that was discussed in the earlier panel, is piracy, right? If the – if your view of us in the world means that we've got to engage in anti-piracy operations, are we going to structure forces against that? Are we going to build? Are we going to procure and build capabilities that would optimize our ability to engage in anti-piracy operations?

Or conversely, is it not that important and we're just going to do it as well as we can with the capabilities that we do think are important? But I think that's a lower constraint. That's the strategic constraint.

The upper constraint becomes the resource constraint. How much can we afford? Where is the nation's fiscal debate going? And what does that mean about discretionary spending?

I don't think, you know – I mean, quite honestly, I share Barry's view that we're going to continue adding about \$1 trillion to the deficit a year over the next three or four years. And that's something that our nation cannot survive, right? It's – I think our issues associated with the deficit are rapidly becoming our largest national security risk, right? So what does that mean?

Well, it might mean that means you've got to do basically three things: You've got to get at mandatory spending; you've got to get at discretionary spending, that means defense and the rest of the, you know, the discretionary accounts, but defense is about half of it; and you've got to increase revenues, which means more taxes, right?

And until we actually get serious about doing that, we're, I believe, in serious trouble. I won't call it a Pearl Harbor because somebody said that was a bad thing.

(Off mic commentary.)

Yeah, it could be a fiscal cliff, I guess. But and then the other – yeah. So as you think about affordability, where are the fiscal risks in the current budget, right?

We've already talked about the cost of manpower. I would tell you that the manpower accounts right now are already under-programmed, right? The health – the health care account, it's under-programmed. We look forward and look at those accounts and we try to come up with good things to do to try to keep costs down, most of them, some of the efficiencies that Barry already spoke about, won't happen, they won't come to fruition. Congress is not going to authorize or allow the Defense Department to do it. Or if we get the authorities we need, they actually don't work out to be as great as we thought they'd be.

So all of those are pressures that are already existent in the FYDP that we've got. So how are we going to account for that? And what does that mean?

My last thought is you've got to allow the military departments, the services, to provide their best military advice. But they've got to provide it in a way that's shaped by what you – what the QDR has determined, you know, drop back to like the force-planning construct.

There's got to be something that provides the framework that they – that we allow the military departments to come back with their proposals.

I view it like a box. You know, there's – you've got to kind of put four sides on their box and then allow them to run around in there and come up with the best solution. One of those sides might be resources. One side might be you have to have these kind of capabilities, and maybe it's nuclear deterrence. I don't know.

And you know, so you've got these different sides to the box. They've got to then come back with a proposal that implements those things to the best of their ability. And I think that's the goal.

MR. MURDOCK: Thank you, Steve.

Barry.

BARRY BLECHMAN: Let me thank you all for persevering. It's a stuffy room here. I do have PowerPoint, which is maybe the good news; the bad news is it's not funny like Pete Singer's were. But what I'm planning to do is to provide a defense strategy which a group of us developed over the last year, which we hope the QDR, the people doing the QDR, will take account in their considerations this coming year.

It was about a year ago Stimson was asked by the Peterson Foundation to look at defense strategy, put together a group of people to look at defense strategy, and so it was a top-down study, and then to examine that strategy, how it could be implemented at various budgetary levels. So we started with the strategy and then looked at its implications or the implications of different budgets for it.

This is the group that did it. This is a nice mixture of military, Generals – (inaudible) – and (Crispin ?) from the Army, Cartwright, Dave – (inaudible) – from the Air Force, Admiral Owens, people with civilian experience in the department like Mike Bayer (ph), people from state, Russ Gelb (ph), Anne-Marie Slaughter, some budgeteers like Gordon and myself, so a mixture of people, some Republicans, some Democrats. Some may not consider them real Republicans, but they are card-carrying Republicans anyway.

And the fact that this group was able to reach consensus I think in itself is of some importance. There are – they don't necessarily agree with every conclusion of this study. There are some dissenting statements, independent statements. And the report is available on the Stimson site, or I'd be happy to make it available to you.

As I said, the process lasted a year. We had multiple meetings. We provided them with staff papers for comment, got a sense of where they were, then started doing drafts and so forth.

So we began by looking at the international environment and U.S. interests. How they were challenged in that environment. The group had a fairly optimistic view of the current and

prospective environment, maybe not as optimistic as Micah's, but less pessimistic than typically coming from the department.

The group does not see Russia as a significant threat for many years, view the Russian nuclear posturing very much like the Eisenhower new look – policy of massive retaliation. You should read, if you haven't, Evan Thomas' wonderful book called “Eisenhower's Bluff.” Determined not to fight small wars, he elevated nuclear capabilities and exaggerated his own willingness to use nuclear weapons. And when I see Putin doing the same thing or acting in the same way, it brings to mind exactly what we did in the 1950s.

The group saw China as an uncertain threat, it saw it ambivalently. Yes, there's certainly a prospect of conflict in the near term over the current issues in the East and South China Seas. And in the long term, China may develop a more nationalistic, even more nationalistic outlook which lays claim to dominance in its region. That's certainly a possibility.

At the same time, we and China have many interests in common, economic interests and political interests, and it's just not clear at this point. So while the group thinks we need to make preparations for possible conflicts with China, it also emphasizes the possibility of diplomacy to resolve some of these issues and to develop a more common, more cooperative relationship.

We divided interests into these two categories: vital interests and those which most people would agree are, one, resolvable with military, defensible with military force, and worth shedding American blood for. And we listed three there, which I hope everyone can read.

Conditional interests are less evident. There will be disagreement as to whether Americans' lives should be put at risk to intervene, for example, in intrastate conflicts, even if there are great barbarisms taking place there, or to try to stabilize governance in nations that are unstable, in order to avoid the emergence of real threats to our interests.

And our conclusion with regard to the latter was that in these unstable regions, and they certainly cover a large swath, from most of northern Africa, through the Middle East, and into South and Central Asia, real threats can emerge, but these are threats to be managed, not resolved.

If you look at Syria, there could be threats emerging to our interests from Syria's stock of chemical weapons, for example, but that's a problem to be dealt with on its own right. Dealing with it doesn't mean we need to occupy Syria and try to turn it into a replica of one of the U.S. states or some other democracy.

We then looked at the history of the past 20 years to gain some perspective on U.S. strengths, U.S. military strengths and U.S. military weaknesses. We thought experience should tell us something about what an appropriate defense strategy should be.

As you know, the U.S. spends a substantial share of the world's military resources, and we've had very substantial payoff from that investment. We have capabilities today that were only dreamed of even 20 years ago. Our strategic awareness, situational awareness, the

flexibility and agility of our forces, their reach, global reach, their lethality, their precision and so forth are really unprecedented and a testament to the good work of industry and the substantial investment on the part of the country.

But our forces are not omnipotent, obviously. And some tasks are just too hard. These are not because of any failing or malpractices on the part of the armed services, it's just protracted nation-building in very different kinds of societies (driven ?) by internal conflicts, without histories of honest governance, without security. It's just too difficult a job and not one that the military is particularly well-suited for, as we've learned many times over my lifetime, and particularly over the past 10 years.

So we then developed a new strategy which we call a strategic agility, which builds on and exploits our strengths and tries to minimize our comparative weaknesses. And this strategy suggests priorities in defense planning and in budgetary decisions. We express them as operating principles. There are the first five here. Can they be read throughout the room? Good.

The first two really pertain to the way we utilize manpower and these questions of compensation reform and so forth, where, as I'll come to in a minute, we think reforms are very important. But obviously, these have to be done in a way that does not penalize and in fact reinforces the necessary programs to reward the people who have sacrificed so much over the past 10 years.

Principles three through five are the heart of the strategy. We have superior space, air and naval forces now. They're superior to any potential adversary, and we must maintain that superiority. That's the highest priority, should be the highest priority in our defense planning.

We shall also maintain robust Special Operations forces. This does not mean enlarging the operations forces. They're not so special if they become too big, but it does mean keeping them on with the cutting edge of technology, keeping them highly ready, highly trained and so forth.

And it means a change in the R&D budgets and its priorities. You look at the R&D budget, it's quite large, but much of it is in so-called advanced development, which is really fine-tuning and early stages of procurement. And we think more funds needs to be put into the development of advanced technologies further down in the R&D cycle so that we can maintain this cutting edge. Sort of what Peter was saying, you know, if you have to make changes then, you know, make sure you go after the next generation of unmanned vehicles rather than trying to protect aircraft that only provide incremental gains over existing types of aircraft.

The next five, we strongly urge maintaining our leadership and working closely with allies. We do think we should shift over time, we think we should maintain a forward presence, but a kind of rotational presence that was mentioned rather than a static presence overseas.

The large permanent bases that we had have disadvantages in terms of encouraging free riding or freeloading. If you're not being diplomatic, they become magnets for those who oppose

us, particularly in regions like the Middle East where they're viewed as an incursion, there's all kinds of local problems, and they're not necessary given our technical capabilities now.

And we think that over time the services should move to essentially the Navy model of deployments. So much time forward, working with allies, exercising, familiarizing with the theater, but then being based back home, families back home, for the most part.

Now clearly, this can't be done overnight, it needs to be done gradually, and it needs to be tailored to the political conditions in the different regions. In East Asia, a very uncertain region, we would not make changes beyond those already planned for the Marines in Okinawa. But we would certainly not establish permanent facilities in the Middle East, and certainly not accompanied one. I understand the Air Force recently is beginning accompanied tours in Qatar. It's a mistake, in my view.

And in Europe, we think further drawdowns are possible, particularly by streamlining the command structure there, even if we wanted to keep two BCTs that are now planned there.

We think the U.S. should strongly resist being drawn into protracted land wars. That does not mean we should not deploy, at times, ground forces overseas, but they should be deployed for specific missions, and political leaders have to have the discipline to stick to those specific missions. We can't repeat the experiences we had in Somalia, for example, or in Lebanon in '82 where we went in for a narrow peacekeeping purpose and then got ourselves involved in the civil war there, with the disastrous effects in the Marine barracks bombing, the embassy bombing and so forth. There the political leadership did have the guts to cut that short. And one would hope that, in the future, political leaders might follow a similar posture.

We think the U.S. needs to maintain effective nuclear forces, but that doesn't mean that they need to be as large as they are now or will be as a result of the New START treaty. We think it's preferable to make reductions along with Russia in a new treaty, but it might be possible since Russia is already below the New START levels to reach some sort of reciprocal arrangements which brings both side's forces down, even without a new treaty.

And we believe that we should only deploy continental missile defenses when the technologies are mature enough to work. The fact that we can't – haven't tested our systems in Alaska and California speaks volumes about the capabilities of those systems.

It's much better, we think, to focus now on theater missile defenses which are more important right now since they do face our allies, and our forces deployed overseas do face real threats. And moreover, the technology is much more promising than that involved with strategic defenses.

We looked hard at so-called efficiencies. And we didn't make these up, but just looking at official studies by government agencies and congressional agencies and CSIS, which we consider official, more or less, we came up with total possible 10-year savings of \$900 billion, half of that, more than half of that, through better manpower utilization, a smaller part through

compensation reform, and some through acquisition process reform, but it's hard to put a number on that.

Obviously, this requires a very high priority. The more efficient we can make our forces, the less difficult the choices that will have to be made if in fact budgets continue to be reduced, as most people seem to expect.

MR. MURDOCK: This morning, Barry – rather than have you just – I'm sorry.

The same question was asked the morning panel. Gates has claimed 150 billion (dollars) in savings, the Gates initiatives. Panetta added another 60 billion (dollars) to that in efficiency initiatives. Nobody was optimistic that they would – half of that would be realized.

Barry said, good luck. Wasn't that what you said, Barry? Good luck with that.

MR. WATTS: I'll believe it when I see it.

MR. MURDOCK: I believe it when I see it. Hard to think about, given the track record of defense reform initiatives and defense business transformation and revolution in business affairs. Hard to see where suddenly now we're going to find the ability to take \$900 billion worth of savings and convert it into capability.

MR. BLECHMAN: Yeah. Well, we never assumed we could save anything like that. I'll come to that in a second. One can only hope that the fiscal pressures will cause both the department and the services and even the Congress to begin to take these possibilities more serious.

The better manpower utilization, for example, can be done by the department if the services are cooperative in doing that, or much of it could be done.

What we did do is assume – let me come to that in a second.

So we then took that strategy and said, how would you implement this strategy at four different budgetary levels? First, I'd point out that, you know, we – this is just a baseline budget, excludes the war, costs of the wars. We have increased the budget quite substantially since 2001 in real terms. That's what gave us the great capabilities that we have. So when people talk about reductions, you know, making us, you know, a hopeless, pitiful giant, that's kind of ridiculous, I think, given how much we spend now compared to where we were.

But the four alternatives are: The top line as a budget that keeps defense even with inflation; the second line is the budget President Obama tabled last year, which is the baseline, what we call the baseline; the red line is what we call a smooth sequester, it's the cut mandated by the sequester legislation, but not implemented so ridiculously, instead, smoothed over the 10-year period; and the green line – and that's about a 10 percent cut from the baseline – and the green line is a cut that would correspond to the reductions that followed Vietnam and followed the Cold War, and it's about a 15 percent reduction from the baseline.

Now, obviously, the more funds that can be allocated to defense, the less the risk, the more hedges there are against all the uncertainties in the world, the more hedges there are against politicians getting us involved in protracted ground wars, no matter how many times we say and the military says we don't want to do that.

But this group did conclude that even in that – under this strategy, U.S. interests could be protected with acceptable risks under all four scenarios.

And I should add that what we did in all four was to assume either 20 percent savings of those efficiency savings or 40 percent of those efficiency savings. Forty percent is wildly optimistic. Twenty percent in this budgetary environment, I think, should be realistic anyway.

We don't recommend a particular budget, and we don't recommend particular changes in forces. But the strategy and our analysis does have clear implications for priorities. And Barry is certainly correct that if the QDR does anything, it should make very clear what the priorities are in our capabilities.

So on the positive side, Special Ops, cyber warfare, basic and implied research.

Classified funding, which we assume, includes much of the best stuff that we're looking at, next-generation bomber, Navy force structure, so forth.

Lower priorities are on the right. Reductions have to be made; they should be made preferentially. In the Army force structure, in our lowest budget we go from the 40-odd BCTs down to 30.

Some cuts could be made in the Marines. We think the F-16 force is sized for protracted conflict. And if one were to make reductions, that force could be reduced. Navy cruisers already planned to be retired could be accelerated, and of course, the nuclear forces.

That ends this part. I'm happy to take comments or criticisms as you wish.

MR. MURDOCK: (Chuckles.) Let me ask one question then, sort of throw it open.

At the same time I was reading these statements, you can – at the same time I was reading these statements, General Barno from CNAS, who was – had to cancel his appearance here, had to postpone it – but I compared Barno and Blechman's, the Stimson Center's approach, and Barry Watts and Andy Krepinevich's assured access – “strategic agility” being a word associated with Barry's “assured access” with Andy Krepinevich's.

Went back and took a look at what Secretary Panetta talked about in his National Press Club speech in late December, more recently talking about the future force.

And while there are distinct differences between all three presentations on where they come out on nuclear forces, probably a little bit on missile defense, they're not that different.

And one of the questions I wanted to ask is, how would you really differentiate yourself from where the Department of Defense already is?

And again, I take nuclear off the table because there are distinct differences there.

Missile defense – everybody wants air, everybody wants naval, everybody wants to maintain the technological superiority, everybody wants to sustain the all-volunteer force and maintain the quality of the force. They all want to become more efficient.

As pointed out by Todd Harrison that if indeed Congress had accepted the very modest requirements asked and personnel management, they would have been able to increase the escalation, the increase in personnel costs from about 2.6 percent down to .9 percent. But of course, Congress didn't do any of that during that time.

It's just hard for me to see that these alternatives are that different. And because they're not that different, I don't see that it was any more economically sustainable than the current administration's. Again, looking at Todd Harrison's and others, including our own, analysis which indicates, from the combination of top pressure downwards and internal inflation for personnel and for O&M, for everything, you know, we're hollowing out the budget from within even as the budget is being pressed down from the top.

You first?

MR. : No because you didn't put something forward like – (inaudible) – that's not my position. I know your positions.

MR. MURDOCK: But I think that is Barry's position, both Barry's positions, to some extent.

MR. BLECHMAN: Well, you're correct, Clark. This is – we don't view this as a radical change by any means, but as an evolutionary change from where the department is heading now with possible exception of the nuclear forces. But we would move more rapidly toward rotational deployments rather than static deployments. We would make deeper cuts in the ground forces. We would make structural changes, particularly in the Army. We'd make some reductions in lower-end Air Force assets.

But these are all evolutionary changes. And we think this strategy is implementable at reasonable, you know, at budget levels that are sustainable in the fiscal environment we're moving into.

MR. : Well, I guess this is good news if there is some convergence of what some of the strategic choices ought to be. Remains to be seen whether they'll actually get made in the QDR.

But at the end of the day, the implementation part of strategy is the most difficult. And while we can agree on some broad capability areas, it's really going the next level or two down to

specific choices on programs and platforms and munitions and things like that where you either get to a sensible direction or vector out of the QDR, or you manage to fail to get the services to kind of go along and curb their normal bureaucratic protection of all their sacred cows.

So I mean, I think there's some uncertainty about this, but I guess I'm kind of cheered that there is some agreement on some of these broader areas.

MR. : I think Tom would like to speak to the defense of sacred cows.

MR. DONNELLY: No. Well, no. I mean, I think your next observation was spot on. And that – I mean I'm very pleased sort of not to be part of that group. I don't care about strategic agility that much. I care about strategic durability. Strategy is long, and history rewards the persistent and not the clever. History's graveyards are full of great captains and, you know, history tends to reward those who sometimes make mistakes, but blunder on and devote themselves to what is inevitably a long-term project.

Did the United States create the peace of Europe by being strategically agile? I don't think so. Did it create, you know, an East Asia that's like, you know, growing economically like hotcakes and is actually a, you know, Confucian cultures that are receptive to representative governments and non-hierarchical political arrangements, you know, overnight? I think probably not.

And is the answer in the Middle East, you know, a Middle East that we could live with that wouldn't be, you know, like dangerously threatening to us and our friends? Over the horizon it doesn't seem that way to me.

So it's almost as though strategic agility is an oxymoron.

MR. MURDOCK: OK, question – (inaudible).

Q: Thank you. A number of the speakers mentioned that strategy is prioritization. And having 30, 40, 50 objectives or even alternative objectives without prioritization is not strategy, it's just Smorgasbord.

And so my question is to Barry, but to all the other panelists, because your study did have a sense of prioritization and hierarchy of objectives. And my question, on what basis, what was the criteria that you used to say that this objective is more important than the other objectives?

(Off mic commentary.)

MR. MURDOCK: That Barry or this Barry?

Q: (Off mic.) The (back ?) one with Stimson.

MR. BLECHMAN: Well, the criteria were the challenges posed to the U.S. in the international environment, as we saw it, and our vital interests and the capabilities of our forces, as demonstrated over the last 20 years, to deal with different kinds of threats.

You know, it was on the basis of those three factors that we came up with the strategy and the priorities which flow from that.

MR. : And Tom would agree because, you know, you've mentioned, you know, one of the legs of that stool was capabilities that you think you will really need for the long term, that are durable, that are adaptable.

So see, you – you bought in on this, too, Tom.

Q: I'm Harlan Ullman. First, Clark, I'd like to congratulate you for putting together a really first-rate day. Thank you very much, and to the panel.

My question comes out of "Alice in Wonderland." If I were advising President Obama or the new secretary of defense, I would urge them to go to Congress to defer the QDR until 217 for several reasons. First, the administration already did a strategic review, doing another one doesn't seem to make much sense.

Second, the uncertainties over budget, over coming out of Afghanistan, over Iran, et cetera, et cetera, et cetera, are so huge that it seems to me a QDR is going to be wasted.

And third, it seems to me to make most sense that a QDR should be done at the beginning of a new administration rather than at the end of an old one.

So please respond. Should we not think about deferring the QDR to when it makes more sense?

MR. DONNELLY: Harlan, I would want to make sure that the gap between – you know, the president gave defense cuts, which was, I thought, pretty profound. You know, whether you agree with it or not, it was substantive, but not well detailed. So I would like to actually, you know, think, know and sort of therefore in specific terms what he intended by that, absolutely as soon as I could. And I think it would be useful for the department, too, prior to a fundamentally new course for the country and the military.

And you know, I understand where you're coming from, but trying to keep the gap between a statement of strategic intent and understanding, you know, the execution part, as others, and the programmatic part appeals to me a lot.

MR. MURDOCK: (Off mic.) Barry? Barry one? Do you think all QDRs are a waste of time.

MR. WATTS: Barry one would be happy to defer to 2017, but I'd just add vis-a-vis what Tom said, fleshing out that strategic guidance where the details really were very thin, I don't see

why you necessarily have to have a QDR to press the administration to try to flesh that out and be a little clearer about what they – where they're really going.

MR. MURDOCK: Steve?

MR. STANLEY: Yeah. What I would say is – and I don't care what you call it, you do have to – we do have to get it balancing the strategies to resources. Right now we're – we are – we're stretched too thin on our resources. And fundamentally, I believe that we face a decision about, are we going to be a smaller and correctly resourced force, or are we going to be a larger and un-resourced force? And that can come out, that should come out of an effort like this.

I don't see – I share the concern that QDRs aren't worth a whole heck of a lot, and wouldn't bother me at all not to do one. But I do think we need to do a better job of balancing resources and strategy.

MR. BLECHMAN: And I think that, you know, what's being done now with the services adapting almost month by month to a budgetary environment is a disaster and it's going to lead to the hollowed force that we had after Vietnam. So if there's – and I don't care whether it's called QDR or some other planning exercise which sets a strategy and set of priorities over the long term so decisions can be made on forces and the forces that remained be kept ready and fully trained and so forth.

And the other good thing about this QDR is, if it's true, that it's going to integrate the nuclear, cyber and space along with conventional forces, which I think has been crazy that that's never been done before.

Q: (Name inaudible.) Picking up on Stephen Hadley's comment earlier about having all the gray-haired men in the room, having the conversation, for the panel's consideration, I mean, I was once told that all that SECDEF had to do was send a memo to Congress saying, I thought about the QDR and here's my answer, and technically, he's met the spirit of the law.

In the exact opposite, what would the impact be if we crowd-sourced QDR? If you in fact took the technologies and the capability and the knowledge and the talents of those millions of soldiers, sailors, airmen and Marines and civilians and crowd-sourced QDR for three weeks, what would the result look like? Would it look like any of those consensus gray-haired results?

MR. DONNELLY(?): Well, the crowd of gray-haired guys who were in the business of doing QDR and related stuff – yeah, is four a crowd? (Chuckles.)

I mean, you know, shoot – all the – you know, I suppose in some sense more is better, but it's still, you know, a commander in chief responsibility to come up with this stuff. How he comes up with it, you know, there are different possible models, but it's something that this is kind of what we pay him to do and, you know, and there is the legislative end to this. Blowing off Congress is not a recipe for, you know, long-term success.

MR. MURDOCK: (Off mic) – strategic intent. I think the point that Tom made and Barry made, as well, and supported, that we did have a strong statement of strategic intent in the 2012 Strategic Guidance. What we don't have, as Steve has called for, and I think Barry would agree with this, both Barrys would agree with this, is we haven't had the balancing of strategy resources. We don't really know yet what's affordable – what's affordable. I would argue that the first step of knowledge in this area – and this will pass for my concluding remarks – that we don't really know how little or how much capacity and capability we can buy for the money that's available.

We've had two decades of internal cost growth that Todd Harrison demonstrated, decades of cost growth in personnel, in healthcare costs, in O&M accounts. It's also in acquisition. Our own figures are even a little more dire than Todd's. Todd's was, if we continue to do what we're doing now on personnel and O&M, by the time we get to 2021, 80 percent of our budget is tied up in those accounts. Ours is even a little more dire than that. We call them, "oh my" slides because we put them in graphic form, and you look at them and say, oh my, no more resources in 2021. We have an "oh my" slide for the growth of entitlements and discretionary spending. Current trends continue, by the time you get out to 2035, you have no discretionary spending, none.

So this is a moot argument about defense versus non-defense. You know, unless you do something about the basic conundrum we're in where we've been spending beyond our means for decades – and as Walt Kelly said, quote Dave Berteau, favorite philosopher, you know, the problem is us. We want a level of benefits that we're not willing to pay for. It's been true for decades, and it's still true, and we haven't started that process.

So my feeling is is that this QDR, in terms of the first step, you know, and call it a seven-step program if you like, but I think it's going to take a lot more than that. But the first step towards trying to balance strategy and resources is to figure out that, given the resources that you actually have at your disposal, that you can turn into real capability, you say to yourself, well what's a strategy I can afford with that? And if you don't like that answer, then maybe you start finding the political will to do all of these things we've been talking about.

But the first thing you have to find out is, what's affordable? That's why I think this should be, as people this morning argued, a cost-driven exercise where we have a strategic intent as expressed by the guidance, and maybe it's time to see, given the resources, given the size of our wallets – to use the term that Bush 41 did, how much can we really afford of this? And then when you look at that, then you start doing iteration back and forth.

Anyway, I want to thank everybody for attending. I think it's been a very interesting day. A little long perhaps, but nevertheless join me in thanking the last panel for their presentation.

(Applause.)

(END)