

A REPORT OF THE CSIS
DEFENSE AND NATIONAL
SECURITY GROUP

Defense in an Age of Austerity

CONFERENCE PROCEEDINGS, PRESENTATIONS,
AND KEY TAKEAWAYS

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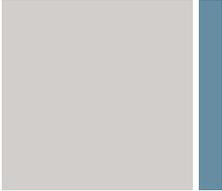
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CONTENTS

Overview	1
Areas of General Agreement	3
Areas of Considerable Agreement	5
Areas of Sharp Disagreement	8
Specific Recommendations	9
Next Steps	12
Appendix A: Conference Agenda	13
Appendix B: About the Panelists and Keynote Speaker	15
Appendix C: Presentations by Panelists and Keynote Speaker	21
Appendix D: Conference Participants	41



DEFENSE IN AN AGE OF AUSTERITY

CONFERENCE PROCEEDINGS, PRESENTATIONS,
AND KEY TAKEAWAYS

Overview

To comply with the Budget Control Act of 2011, the Department of Defense (DoD) will face a drawdown of uncertain magnitude. At a minimum, DoD will be forced to accept cuts of \$450 billion in the coming decade, and in the absence of any “grand bargain” on federal government spending reductions and tax increases, this figure could be far higher, with sequestration expected to add another \$500–\$600 billion in cuts.

Given the potential scale of this drawdown, it is vital for security experts to engage in a robust and candid public debate on the role of the United States in international affairs and how the U.S. military should be structured to best support this role. To facilitate such a debate, the Center for Strategic and International Studies (CSIS), with support from the Office of the Under Secretary of Defense for Policy, hosted a one-day conference¹ on September 29, 2011, that convened experts from across the ideological spectrum to deliberate the proper alignment of the “ends, ways, and means” of U.S. defense strategy in a fiscally constrained environment. This conference, *Defense in an Age of Austerity*, included three panels composed of prominent security and defense experts that addressed the formulation of U.S. defense strategy, as well as a fourth panel tasked with examining the impact of the defense drawdown on the domestic economy, the defense budget, and the defense-industrial base. In addition, former Secretary of Defense William Cohen delivered the keynote address (see Appendix A for agenda and Appendix B for biographies of panelists and keynote speaker).

In structuring this conference, CSIS sought to ensure the representation of a diverse set of perspectives that would reflect both the breadth and the depth of thinking on what is a critical question of national security. To this end, panelists were drawn from a broad range of backgrounds and organizations and asked to provide an explicit overview of the underlying assumptions and first principles that drive their respective policy positions. This exercise was intended to move panelists beyond the rhetoric that so often colors debates on national security and to encourage discussion of the specific implications, risks, and trade-offs involved in implementing these positions.

Dr. Clark A. Murdock, senior adviser and director of the CSIS Defense and National Security Group, served as moderator for all of the panels in order to ensure consistency and coherence across panels. Panelists were allowed ten minutes to deliver their presentations (see Appendix C for presentations by

¹ Transcript—prepared by Federal News Service—and full audio of the conference available at <http://csis.org/event/defense-age-austerity>.

panelists and keynote speaker).² Dr. Murdock then posed an initial set of questions designed to highlight points of agreement and disagreement on the panel, elicit further elaboration on policy details, and hold panelists accountable for the consequences of their proposals. This was followed by questions from conference attendees.

Like the panelists, attendees represented an array of backgrounds and organizations (see Appendix D for list of attendees). This group included about 80 defense and security analysts, as well as about 20 members of the attentive public, including representatives from industry, congressional staffs, and the media.

The methodological approach taken by the conference organizers appears to have been sound. Conference attendees gave very positive feedback about the high quality of the discussion, which was fueled by the energy and enthusiasm of the panelists. The panelists clearly enjoyed debating the issues with their counterparts, and the attendees seemed quite engaged in following the discussion and asking pertinent follow-up questions. Having a single moderator, who guided the subsequent discussion with clarifying questions, for all four panels seemed helpful in generating a genuine exchange between the panelists on key issues and in highlighting recurrent themes throughout the day.

That said, the conference was more successful in identifying areas of agreement, which were probably larger than most expected, and disagreement among the panelists than it was at getting presenters to “go beyond the rhetoric” and reveal the underlying assumptions and first principles that drive particular policy positions. In addition, areas of agreement (and disagreement, for that matter) often were expressed at a fairly general level of abstraction—for example, over goals of defense policy rather than the specific set of missions that DoD should pursue. There were important exceptions to this—including the discussion on the practicality of the counterinsurgency mission—but, by and large, the debate was over generalities. And while many panelists did cite specifics in their presentations (e.g., Peter Singer’s contention that the large investment in national missile defense has yielded very poor returns and should be terminated), such assertions were seldom challenged by other panelists.

Although the conference was organized according to the “ends” (goals), “ways” (missions and capabilities), and “means” (alternative forces structures) of defense policy, the debate, which seemed to persist throughout all of the panels, was really over which “ways” the Department of Defense could afford during the defense drawdown that was now under way. There seemed to be quite broad agreement on the “ends,” but some “ways” seemed too difficult or costly in a broad sense (e.g., counterinsurgency) or too costly in a narrow sense (e.g., ballistic missile defense) to be affordable. As a result, the analysis of the conference proceedings will be organized as follows:

- *Areas of general agreement*
 - Observations or assertions that all the panelists seemed to agree with or that no panelist expressed particular disagreement with.

² Briefs were drafted by the CSIS study team based on the panelists’ oral presentations and a review of the conference transcript. Panelists were then offered the opportunity to review CSIS characterizations of their remarks for accuracy. All subsequent analysis and assessment of the debate are solely our own.

- *Areas of considerable agreement*
 - Observations or assertions that most of the panelists seemed to support, but were opposed by at least a few of the panelists.
- *Areas of sharp disagreement*
 - Issues on which the panelists were clearly divided with substantial numbers taking opposing views.
- *Specific recommendations*
 - Based on the CSIS study team’s analysis of the conference transcript and panelist presentations, this section summarizes the specific actions recommended by at least one of the panelists. No assessment will be made of the desirability of a particular recommendation. Our intent is merely to document the set of specific recommendations made at the September 29 event. This section will be organized as follows:
 - *Missions*: Which missions must be prepared for and which can be deemphasized?
 - *Force Structure*: Which forces must be retained and which can be reduced?
 - *Specific Weapons Systems*: Which systems must be procured and which are candidates for reduced buys or elimination?
- *Next Steps*
 - The CSIS study team’s suggestions for how to build upon the *Defense in an Age of Austerity* conference.

Areas of General Agreement

- *The United States should remain engaged in the international system.*

Despite holding widely divergent views of appropriate missions for the U.S. military—and thus forms and levels of engagement—no panelist suggested that the United States should wholly withdraw from participation in the international system or, as William Cohen vividly put it, “retreat into a continental cocoon.” For example, while arguing that the United States should adopt a more restrained foreign policy that utilizes power only in defense of vital strategic interests, Christopher Preble maintained the importance of alliance relationships in deterring war and underscored the need to empower—rather than dispense with—allies.

Others who argued in support of a reduced military role took similar care to emphasize the persistent need for engagement. Frank Hoffman, who advocated a strategy of “forward partnership” based on the British model of offshore balancing, stressed that such a strategy would not entail disengagement from the international system or severance of alliance ties. Similarly, both Nate Freier and Gordon Adams, proponents of a more selective standard for the use of military power than is currently employed, highlighted the need to maintain a robust capacity for engagement in areas of strategic importance.

- *The U.S. military is well trained, very experienced, and extremely capable and, as such, is a versatile, adaptable strategic asset that must be preserved.*

Although several panelists noted that rising military and civilian personnel, health, and retirement costs pose real affordability issues—Todd Harrison noted that pay and benefits now compose 45 percent of the defense budget—no one questioned the strategic value to the United States of a highly capable and operationally ready military force, even though panelists differed on the size and shape of that force.

- *Current spending levels are unsustainable in the absence of either tax increases or trade-offs between defense and entitlements.*

No panelist argued that current spending levels can be maintained without either attendant increases in taxes or decreases in entitlements. Todd Harrison offered a representative view of the need to more actively manage the cost growth of personnel, stating that “military health care costs . . . [have] grown by 85 percent in real terms over the past decade” and cannot be allowed to continue to grow. Several panelists expressed a particular desire to address TRICARE co-pays and retirement benefits.

- *The defense drawdown has already begun; the debate is not over whether there should be one, but over the implications of the drawdown and how deep it should be.*

Even among those who, like Max Boot, believe that the United States should spend more on defense, or that the current defense program is not adequately resourced, there seemed to be agreement with Gordon Adams’ assertion that “we are in a build-down.” Steve Grundman noted that a recent Congressional Budget Office (CBO) study concluded that FY12–16 FYDP was underfunded by \$64 billion and that the DoD needed to spend an additional \$10 billion–\$25 billion per year to attain full funding; Tom Donnelly expressed similar concerns with regard to current military funding levels.³

- *Sequestration is a suboptimal tool for managing the defense drawdown; further reductions, if any, must be properly managed to hedge against future risk while also allowing industry the time to adapt to new demand signals.*

While there was disagreement over the likelihood that sequestration will be implemented (Gordon Adams predicted with 80 percent confidence that, given both the timing—following mid-term elections—and the history of sequestration, it will not be implemented), there was strong agreement that the sequestration trigger would negatively impact American defense planning, and no panelist expressed support for the use of sequestration as a management tool.

Panelists cited a variety of reasons for their opposition to the enactment of sequestration. Michael O’Hanlon, Max Boot, and Frank Hoffman specifically noted the deleterious effects of sequestration on strategic planning and force structure, though Hoffman did favorably note that the tool is “designed to be catastrophic to force people to have an honest conversation [about trade-offs].” James Carafano objected to sequestration on the grounds that deep cuts in the defense budget would merely mask underlying structural problems in the economy, while Steve Grundman cited the disproportionate

³ Congressional Budget Office, *Long-Term Implications of the 2012 Future Years Defense Program*, Pub. No. 4281, June 2001, http://www.cbo.gov/ftpdocs/122xx/doc12264/06-30-11_FYDP.pdf.

impact of fast reductions on investment accounts, procurement, and research, development, testing, and evaluation (RDT&E). Grundman additionally noted that inflexible assets and changing compositions of demand will profoundly complicate the ability of industry to successfully respond to fast reductions, a sentiment echoed by David Berteau, who expressed further concern for the continued health of second-, third-, and fourth-tier suppliers under such a scenario.

Areas of Considerable Agreement

- *Although there was some debate on how extensive U.S. requirements are for cyberspace and the extent to which such requirements are DoD's responsibility, as well as on how much responsibility the United States should bear for humanitarian needs, the definition provided by the 2010 Quadrennial Defense Review (QDR) Independent Panel of U.S. "enduring national interests"—defense of the homeland, assured access to sea, air, space, and cyberspace (the so-called Global Commons), preservation of a favorable balance of power across Eurasia, and providing for the global common good—received broad support as a minimum level of engagement.*

In the opening question to Panel 4 (“Alternative Affordable DoD Force Structures”), the moderator drew the panelists’ attention to Tom Donnelly’s “Sources of American Conduct” chart (below left) and Gordon Adams’ chart (below right) summarizing his recommendations for a “Leaner and Meaner Defense” and asked them whether (1) they agreed with the Donnelly chart and (2) if they believed that Adams’ recommended force was capable of securing those interests.

Sources of American Conduct

‘From the strategic habits and actual decisions of American presidents since 1945 -- habits and decisions that have shown a remarkable degree of bipartisan consistency -- we deduce four enduring national interests which will continue to transcend political differences and animate American policy in the future.

Those enduring national interests include:

- **The defense of the American homeland**
- Assured access to the **sea, air, space, and cyberspace**;
- The preservation of a **favorable balance of power across Eurasia** that prevents authoritarian domination of that region; and
- Providing for the **global common good** through such actions as humanitarian aid, development assistance, and disaster relief.’

William J. Perry and Stephen J. Hadley on QDR Independent Panel
House Armed Services Committee
29 July 2010

“A Leaner and Meaner Defense: How to Cut the Pentagon’s Budget While Improving Its Performance.” *Foreign Affairs*, (Jan/Feb 2011)

Prioritize missions and manage risk

- Emphasize combating Al Qaeda’s central organization; cyber-security
- De-emphasize COIN, nation-building, building partner capacity
- Hedge for conventional missions to reflect high consequence but low probability

Align spending with strategy

- End Strength: -92K ground buildup; -80K stationed overseas; -100K tooth-to-tail ratio
- Investment
 - Cancel JLENS, MEADS, EFV (ACV)
 - Delay 7 VA-class subs (FY12-18) & Substitute current-gen fighters for F-35
 - Halve BMD and Trim RDTE & minor procurement proportional to ES cut
- Compensation and Benefits
 - Suspend across-the-board pay increases for two years
 - Restore 1995 cost-sharing ratio for TRICARE & introduce small TFL fees
 - Expand retirement benefit eligibility using gradual vesting and later payouts
- Intelligence: Streamline duplication and better match collection & analysis

STIMSON

Somewhat surprisingly, all of the panelists—Gordon Adams, Rudy deLeon, Tom Donnelly, John Nagl and Peter Singer—indicated their support for how the bipartisan QDR panel, which was cochaired by Stephen J. Hadley and William J. Perry, characterized enduring U.S. interests (though Adams disputed the role of the military in securing some of these interests, as noted below).

A subsequent review of the transcript revealed that prior formulations of U.S. interests or goals were largely consistent with the Hadley-Perry formulation with a few exceptions. First, Gordon Adams expressed support for cyber security as a mission area, as called for by the Hadley-Perry formulation;

however, Adams noted in a follow-on comment that “cyber is largely not a military mission.” While Adams similarly offered support for maintaining “access to” the global commons, he objected to any stronger formulation arguing that providing for the “security of” the global commons is not and should not be a military mission. Referencing Tom Donnelly’s slide on the global commons (below), Adams noted that Internet security is “largely a private and commercial function” and that concerns regarding the security of the sea lanes “seem largely restricted to piracy off of the eastern Horn of Africa, and [areas] where there are choke points,” leaving limited circumstances in which a military role would be appropriate. Furthermore, he argued that both maritime and air commerce have been successfully managed through diplomatic mechanisms.



Second, there was some disagreement on the extent of U.S. responsibility for “providing for the global common good.” Although the issue of “humanitarian intervention” was not directly engaged by Panel 4, there was one earlier expression of strong opposition to the U.S. intervention in Libya: Christopher Preble argued that U.S. “vital” national interests were not at stake in Libya and that the commitment of U.S. military forces (even with the exclusion of ground forces) was not justified. There did, however, seem to be widespread support for using U.S. forces in humanitarian and disaster relief operations in permissive environments (such as the 2010 response to the Japanese tsunami).

Finally, Christopher Preble’s proposed strategy of restraint would seem to support a more limited role for the armed forces than that proposed by the QDR Independent Panel. Although he did not outline the specific mission set that he views as being vital to American security, Preble’s emphasis on “getting others to do more” could be read as a contrast to certain Hadley-Perry recommendations.

- *The set of missions often grouped under the rubric of “stability operations”—that is, counterinsurgency (COIN), economic reconstruction and development, security assistance, etc.—are*

very difficult to execute successfully and quite costly in the broadest sense (time, resources, casualties, etc.). As a result, they should be deemphasized in any case, but particularly in an era of tightening resource constraints.

Several panelists agreed that the U.S. intervention in Iraq has been a “strategic error” and that a less costly approach to Afghanistan is needed, largely because the costs of the current approach are exceeding the ability of the United States to sustain it. However, a few panelists, including Max Boot, expressed concern that the hard-won gains achieved in Iraq and Afghanistan could be lost by the inability of the United States to stay the course. Other panelists characterized COIN as a necessary evil. As Michael O’Hanlon put it, “you might not have an interest in [COIN], but it might have an interest in you,” and circumstances on the ground—particularly those involving transnational terrorism—may well demand future involvement in undesirable contingencies.

- *Although the magnitude of the current defense drawdown (a 10 percent–15 percent reduction over 10 years) is about half that of previous drawdowns (which ranged from 26 percent after Vietnam to 34 percent after the Cold War, according to Todd Harrison), reductions much beyond the \$400 billion–\$450 billion imposed immediately by the Budget Control Act of 2011 would significantly affect the ability of DoD to execute the current strategy and would require the United States to decide how and where “it would do less.”*

Although Max Boot was “deeply concerned” that the first tranche of defense cuts would undermine “U.S. primacy,” which has underwritten global peace and security, most panelists were more focused on the potential effects of additional defense cuts. However, panelists were divided on what those effects might be. Michael O’Hanlon, on one hand, believed that cuts beyond \$450 billion would jeopardize the ability of the United States to cope with the four “main problems,” which he identified as a rising China, a belligerent North Korea, an unstable Middle East, and an expansion of transnational terrorism, and would thus require a level of risk acceptance in defense planning. Gordon Adams, on the other hand, thought that a \$1 trillion defense drawdown could be absorbed with acceptable risk as the United States “align[ed] spending with strategy.”

- *Force structure reductions should be targeted rather than balanced. While the United States probably can reduce active duty ground forces given the reduced emphasis on “stability operations” missions, Air Force and Navy force structure should be preserved, if not enhanced.*

While the size of acceptable reductions varied by panelist, there was broad support for reducing active duty ground forces, generally to pre-9/11 levels; however, both Max Boot and Tom Donnelly specifically argued that current force strength must be maintained in order to safeguard vital national interests and preserve the stability of the international system. Among those who voiced support for some level of reductions, there was near consensus that the Navy and Air Force’s growing role in executing mission sets will justify higher prioritization in future defense budget decisions.

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 Berteau’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.

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.

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.

For Discussion Purposes Only; Not for Citation

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 I: 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?

For Discussion Purposes Only; Not for Citation

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?

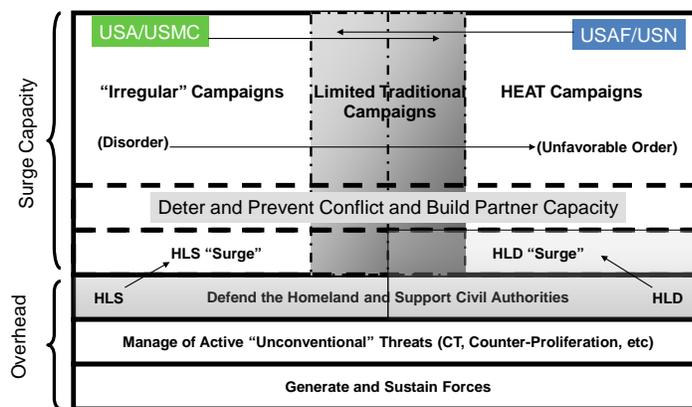
For Discussion Purposes Only; Not for Citation

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

One View: Adjusting DoD to An Unconventional Future



- 3 of the "4 New MCO's" largely embedded in this construct;
- Hedge against a "limited traditional campaign" also included;
- Accounts for both "overhead" and "surge" requirements;
- Risk assessment now based on the ability to conduct multiple, dissimilar missions simultaneously.

For Discussion Purposes Only; Not for Citation

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



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.

Slide 1

"A Leaner and Meaner Defense: How to Cut the Pentagon's Budget While Improving Its Performance," *Foreign Affairs*, (Jan/Feb 2011)

Prioritize missions and manage risk

- Emphasize combating Al Qaeda's central organization; cyber-security
- De-emphasize COIN, nation-building, building partner capacity
- Hedge for conventional missions to reflect high consequence but low probability

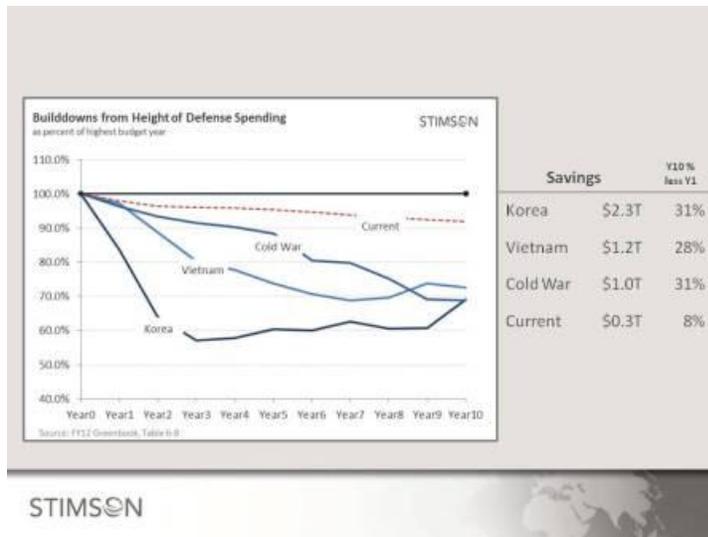
Align spending with strategy

- End Strength: -92K ground buildup; -80K stationed overseas; -100K tooth-to-tail ratio
- Investment
 - Cancel JLENS, MEADS, EFV (ACV)
 - Delay 7 VA-class subs (FY12-18) & Substitute current-gen fighters for F-35
 - Halve BMD and Trim RDTE & minor procurement proportional to ES cut
- Compensation and Benefits
 - Suspend across-the-board pay increases for two years
 - Restore 1995 cost-sharing ratio for TRICARE & introduce small TFL fees
 - Expand retirement benefit eligibility using gradual vesting and later payouts
- Intelligence: Streamline duplication and better match collection & analysis

STIMSON

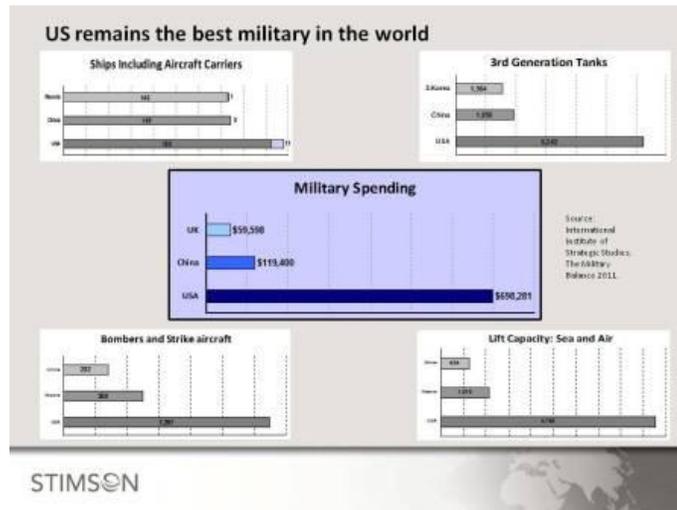
Adams then noted that prior defense budget reductions have come down at a faster rate than what is currently projected in the budget agreement, which calls for a 16–17 percent reduction over 10 years, rather than the 25–30 percent reductions witnessed by previous eras (see Slide 2).

Slide 2



Adams concluded by noting that, even in the worst-case drawdown scenario envisioned by Representative Buck McKeon, the U.S. military will retain its globally dominant capabilities as long as reductions are properly managed (see Slide 3).

Slide 3



Rudy deLeon

Maintaining a strong and capable military must be the primary goal of U.S. defense policy, Rudy deLeon argued, but it must be supported by robust and effective diplomatic efforts that reduce reliance on the military and support deterrence. In the coming years, we will need to address several impediments to the realization of this goal, he noted. First, we must find the energy to fund this model. Second, we must address rising health care costs in all sectors. Third, we must adopt an economic model in which we are creating both wealth and jobs rather than simply continuing to generate wealth at the expense of jobs. And finally, our leaders must return to the old model of political cooperation and shared responsibility.

Rudy deLeon then identified the key defense issues with which we should be concerned. While the topline is important, he noted, it is ultimately less concerning than the cost structure, including the rising costs of personnel and replacement equipment. For example, the United States has made large investments in force modernization, but has seen limited return on these investments in terms of produced and deployable capabilities. deLeon additionally noted that the end of the Cold War and the passage of Goldwater-Nichols streamlined planning for military operations. This efficiency has since been undermined by the supplemental appropriations process, which has enabled defense planners to deemphasize fiscal discipline.

Tom Donnelly

Tom Donnelly began his presentation by noting that the United States has been in a drawdown since the end of the Cold War, but that we must maintain the capability to engage with the international system and to safeguard expansive American interests, including defense of the homeland; access to sea, air, space, and cyberspace; preservation of a favorable balance of power across Eurasia; and stewardship of the global commons (see Slides 1-5).

Slide 1

CENTER FOR DEFENSE STUDIES

Sources of American Conduct

'From the strategic habits and actual decisions of American presidents since 1945 -- habits and decisions that have shown a remarkable degree of bipartisan consistency -- we deduce four enduring national interests which will continue to transcend political differences and animate American policy in the future.

Those enduring national interests include:

- The **defense of the American homeland**
- Assured access to the **sea, air, space, and cyberspace**;
- The preservation of a **favorable balance of power across Eurasia** that prevents authoritarian domination of that region; and
- Providing for the **global common good** through such actions as humanitarian aid, development assistance, and disaster relief.'



William J. Perry and Stephen J. Hadley
on QOR Independent Panel
House Armed Services Committee
29 July 2010

Slide 2

CENTER FOR DEFENSE STUDIES

The 'American Homeland' Properly Understood



'The strategies we currently have are going to reach inflection points where we're just going to have to stop doing some of the things we are currently able to do.'

Adm. James Winnefeld
Former Commander,
US Northern Command



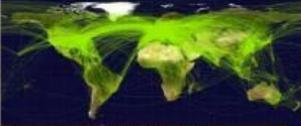
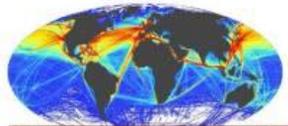
Transnational criminal organizations "conduct illicit trafficking with near impunity and are causing unprecedented levels of violence."

Gen. Douglas Fraser
US Southern Command

Slide 3

CENTER FOR DEFENSE STUDIES

The 'Global Commons'



But in the 21st century, it's important to discuss the global commons much more broadly than just the maritime sea lanes, vital as they remain, for the airways, space and cyberspace has become just as crucial to continued U.S. and regional economic prosperity. And in 2011, all of these commons areas are being placed at increased risk, are intruded upon almost every day, and are targeted centers of gravity in any future conflicts.



Adm. Robert Willard, Commander US Pacific Command



Slide 4

CENTER FOR DEFENSE STUDIES

Preserving the Eurasian Balance



"Iran continues to threaten regional and global stability by pursuing a nuclear weapons program and by funding and arming militant proxies throughout the region."

Gen. James Mattis
US Central Command



"When I'm asked by our Congress in testimony, 'What is PACOM's biggest challenge?' I answer, 'Managing our China relationship.'"

Adm. Robert Willard
US Pacific Command



"I worry that the relationship [with Pakistan] will be in tougher shape down the road than it is now."

Adm. Mike Mullen
JCS Chairman



Slide 5



Donnelly then addressed the question of whether the United States could continue to meet these responsibilities in a fiscally constrained environment. Labeling the current strategy for partnership building—which overemphasizes the preservation of past partnerships—as “backward-looking Cold War detritus,” he stressed the importance of political will and geostrategic importance in the evaluation of allies, and argued that they must share our desire to maintain the stability of the international system, contain China, and manage the ongoing turmoil in the Middle East.

To execute these missions and reinforce the QDR’s objectives in a timely fashion, Donnelly proposed a 2-1-1 force sizing construct (see Slide 6).

Slide 6



John Nagl

John Nagl argued that the United States is not necessarily destined for decline; rather, the choices we make in the coming years will determine the future nature of our power. He noted that the United States has successfully weathered past drawdowns of this magnitude, but in those cases, we had already recapitalized the Defense Department and produced surplus weapons systems. In addition, our capital fleet was healthy in contrast to its current state.

Nagl argued that the United States is unique in its will and ability to underwrite global security. For this reason, the future security of the international system will be dependent on continued American involvement. Defense budget reductions of much more than \$400 billion would fatally compromise our ability to maintain this involvement.

Nagl then offered specific policy recommendations for managing force structure in a fiscally constrained environment. First, he noted the increasing importance of the Navy and Air Force, which will be called upon to contain a rising China, but argued that active duty ground forces can be drawn down to pre-9/11 levels of roughly 480,000–490,000 for the Army and 175,000 for the Marine Corps. Second, we should seek synergy and interdependence across the forces. Redundancy, while a good hedge against risk, is no longer affordable. Third, some capacity—particularly artillery and heavy armor—should be transferred to the Guard and Reserves, which should be reformed by congressional action to improve accessibility in the event of a conflict. Enough capacity should be retained in the active duty force to allow for one major conflict. Fourth, we must work on generating requirements based on realistic assessments of likely threats rather than the pursuit of capabilities; we must also change our acquisition priorities and processes and work with industry to price requirements during the requirement generation process. Finally, we must pursue research and development to build a bridge between current and future systems. For example, Nagl argued, we currently overinvest in manned, stealth systems and could realize savings by shifting investments to nonstealthy, manned systems, and more important, to stealthy, unmanned systems. Such smart investment decisions could allow for the United States to maintain capabilities at a substantially reduced cost.

Peter W. Singer

Peter Singer began his remarks by noting three lessons for cutting defense spending wisely. First, we must focus on effectiveness, rather than efficiency, he argued. A process that myopically focuses on the bottom line could pose as significant a threat to American national security as the deficit itself. Instead, defense planners should treat cuts as an opportunity to construct an internal strategy based on considerations of effectiveness.

Second, we must be willing to question twentieth century assumptions about warfare and U.S. national security. For example, Singer denounced further investments in missile defense—which he argued has yet to achieve its objectives and is, at any rate, incapable of stopping the existential threats that it is ostensibly designed to address—as well as the current level of spending on the nuclear complex. Similarly, Singer argued that we should be willing to question the organization of our military and to explore alternative force mixes that would provide us with increased effectiveness in a wider set of

contingencies. This would enable us to better align our strategy with our procurement process and existing logistic capability.

Finally, Singer noted that we have frequently failed to consult our allies in the execution of missions, resulting in missed opportunities to pool resources and accrue shared savings.



APPENDIX D

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Finmeccanica North America, Inc.

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Michael Hannan

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Tetsuya Ito

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Senate Committee on Foreign Relations

Shênia Kellen De Lima

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Business Executives for National Security

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Dynamis

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Clara O'Donnell
Brookings Institution

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