

# **The McMaster, Mattis Failure: The Need for a Real National Defense Strategy**

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Taken purely at face value, it is hard to argue with the goals and intentions set forth in the military sections of the new National Security Strategy (NSS) and in the short summary of the National Defense Strategy (NDS). If one ignores the more controversial aspects of the speeches that introduced them, the actual documents mix the heritage of few controversial campaign promises with well-balanced calls for a more effective military posture, the need to adjust to a more multipolar world shaped by China and Russia, and the need to deal with unstable state and non-state actors.

Both documents also call for needed measures like a return to high levels of readiness, more modernization, a lead in military technology, more attention to cyber threats, and meeting the need for nuclear modernization. They alter current U.S. strategy in dealing with allies and strategic partners largely to the degree that they put slightly more emphasis on burden sharing and slightly less on American ideals. At the core, they call for preserving and strengthening America's alliances, and for maintaining U.S. defense efforts to check terrorism and the asymmetric threat from extremists and other non-state actors.

One can argue with any given statement or goal. A liberal will dislike the conservative phrasing, a true Hawk will want more decisive action and military build-ups, and both liberals and conservatives who feel the U.S. should focus far more on a US-centric set of domestic and foreign goals will dislike their internationalism and focus on strategic partners and allies.

## **Good Intentions May Pave the Road to Hell but They Are Not a Strategy**

The problem is that the concepts, broad policy statements, and good intentions presented in the NSS and NDS do not come close to an actual strategy. Neither document gives any real specifics as to what changes are planned in any given aspect of national security, force levels and structure, mission capabilities, modernization and technology, alliances, nuclear forces, or any other aspect of defense.

There are no time scales, no description of how the U.S. will deal with its ongoing "long wars," no specifics about changes in any given strategic partnership or alliance, no new actions to deal with nuclear modernization or the problem of proliferation, and no specifics about changes in readiness, personnel, procurement, RDT&E, or any other aspect of U.S. national security policy. If one cuts through all of the prose, no one can find the "beef." Instead, both the NSS and NDS are the equivalents of a very long strategic fortune cookie.

The FY2019 budget submission—and the Department of Defense's massive output of supporting documents—may still provide more short-term specifics. However, the Authorization and Outlay budgets for one fiscal year cannot describe a serious strategy.

No one budget year—particularly the first year that an Administration can act on a new strategy—can describe the realities of any aspect of U.S. strategy. Even short-term readiness efforts to make major changes in U.S. forces play out over a period of years, and seriously altering overall readiness, modernization, procurement, and major mission capabilities will take funding and

action over the entire five-year period in the Future Year Defense Plan, and often more than a decade.

Moreover, all recent budget requests have had to be shaped by taking the Budget Control Act, and take the problem of sequestration and the reality of a deeply divided and self-paralyzing Congress into consideration. A focus on the annual budget, rather than the nation's enduring national security, needs almost to ensure that these needs take a backseat to politics.

### **A Military Strategy Must Consider Total Federal Spending and Its Impact on the Economy**

Moreover, U.S. military strategy does not live in a broader political vacuum that can ignore valid needs for other forms of federal spending. One of the key aspects of achieving a consensus around major changes in strategy, and in achieving a consistent and efficient build-up of given aspects of U.S. forces and capabilities, is the need to realistically assess how U.S. military spending impacts the overall U.S. budget and competes with domestic entitlement and discretionary spending. This is particularly true because the new Tax Bill has placed a massive bet on U.S. economic growth outpacing the outyear cuts it makes in U.S. tax revenues, there so far is no clear path for future entitlements spending, and the Budget Control Act and the problem of sequestration are now only part of the problem.

The latest Congressional Budget Office (CBO) projections of the entire federal budget can only hint at the scale of the current problems in making such trade-offs. They represent the most objective estimates available, but they date back to the quieter politics and less demanding defense goals of June 2017, and before new tax legislation that will sharply increase the outyear deficit unless the U.S. achieves exceptional economic growth to offset the resulting cuts in revenues.

Even so, the CBO estimates forecast a sharp and continuing increase in the Federal deficit through 2027: "CBO's current estimate of the deficit for 2017 is \$134 billion more than the amount the agency estimated in January, and the cumulative deficit for the 2018–2027 period exceeds CBO's previous projection by \$686 billion (or 7 percent)." This increase is not shaped by defense spending—it is driven by lower (pre-Tax Bill) estimates of revenues, higher interest payments on the Federal debt, and by entitlements spending in areas like Social Security and medical care.

The end result is that actual annual U.S. government spending is projected to reach "21 percent of GDP for the next few years, higher than the average of 20.3 percent over the past 50 years. Later in the projection period, the growth in outlays would exceed growth in the economy, and, by 2027, outlays would rise to 23.6 percent of GDP. That increase reflects significant growth in programs targeted toward older people and to rising interest payments, offset somewhat by a decline, in relation to the size of the economy, in discretionary spending."

The key point for U.S. military strategy is that this increase in the deficit will also be far greater if U.S. defense spending does not continue to drop sharply as a percent of federal spending and—more importantly—the U.S. economy. Even these older—pre-Tax Bill—CBO projections of the deficit depend on a steady cut in defense spending.

The CBO projects that entitlements or mandatory spending has already increased from 4.8% of the U.S. economy or gross domestic product in 1967 to 10.1% in 1992 and 13.2% in 2017, and will increase to 15.4% in 2027. The major increase in the deficit that the CBO projects is only made possible by a further cut in total federal discretionary spending from 12.7% of the U.S.

economy in 1967 to 8.3% in 1992 and 6.3% in 2017, and a drop to 5.3% in 2027. *To make this cut, military or defense spending must drop from 8.6% of the U.S. economy in 1967 to 4.7% in 1992 and 3.1% in 2017, and 2.7% in 2027.*

### **Good Intentions vs. Funded Realities**

Turning back to good intentions, there is no way in hell that the U.S. can make these cuts in either the defense share of Federal spending or the U.S. economy, *and* fully compete with Russia and China, deal with its other regional commitments and wars, carry out a major build-up and return to full readiness, keep and expend its lead in military technology, fund nuclear modernization, and deal with new threats like cyber and space warfare.

Neither the NSS or NDS even hints at these issues, or suggests any proper level of effort. Former Chairman of the Joint Chiefs, Admiral Michael Mullen, said in 2008 that he thought that spending 4% of GDP on defense was, “about right.” There is no way to know what level the NSS and NDS call for, but the goals set forth indicate that it may be substantially above 4% of the GDP.

The McMasters and Mattis documents call for much stronger and more capable U.S. forces, but they don't even hint at the costs over time. They are certainly going to require a higher percent of GDP over time. Vague as the documents may be, there is no way that adding only \$52 to \$60+ billion a year to U.S. defense budget will be enough. The same is true of any of figures quoted by defense hawks in Congress to date.

In the real world, the options are all too clear: Revenues have to be increased, mandatory, other discretionary and mandatory spending have to be cut, or major compromises will have to be made in meeting the military goals set forth in the NSS and NDS.

### **Guesstimating the Costs of the Administration's Military Strategy and Defense Build-up**

The CBO has not yet attempted to estimate the cost of the impact of the new NSS and NSD. There is no way it could. You cannot estimate the cost of good intentions. The CBO has, however, made a December 2017 guesstimate called the *Analysis of the Long-Term Costs of the Administration's Goals for the Military*. This analysis is based on, "the Congressional Budget Office's analysis of the costs and budgetary consequences through 2027 of the current Administration's goals for increasing the readiness, size, and capabilities of the military. The report draws from the fiscal year 2018 budget request submitted by the Department of Defense (DoD) and from other official documents, including Congressional testimony presented by DoD officials."

The CBO notes that, "the 2018 budget request calls for \$640 billion in funding for the Department. Of that total, \$575 billion would fund base-budget activities (such as day-to-day military and civilian operations and developing and procuring weapon systems) and \$65 billion would fund overseas contingency operations (OCO, mostly for the conflicts in Afghanistan and in Iraq and Syria). The base-budget funding request is 3 percent more than the amount that would have been requested for 2018 under the Obama Administration's final Future Years Defense Program, the 2017 FYDP, after adjusting for inflation."

This understates the real cost of the Administration's proposal—even for FY2018—because the CBO makes the assumption that it cannot estimate the cost of U.S. wars in OCO or Overseas Contingency Account. In the case of FY2018: "On November 6, 2017, the Administration requested an additional \$1.2 billion in funding for OCO to support higher troop levels in

Afghanistan. It also requested \$4.7 billion in emergency funding for DoD, mostly for enhanced missile defenses to counter North Korea. Because that request was for emergency funding and would not affect the base-budget funding for 2018, CBO did not include it in its projection of base-budget spending beyond 2018."

In FY2019 and every year thereafter, it means that CBO cost estimates for the Department of Defense are likely to sharply understate the real cost of national defense efforts because they do not include the cost of America's wars. Moreover, they do not include the massive nuclear weapons efforts of the Department of Energy, and substantial military medical and retirement costs once people have left military service.

Even so, if one only looks at the cost of the Department of Defense Base-Budget—and assumes the U.S. will have no future wartime spending on OCO through 2027, the CBO estimates that,

For the years after 2018, CBO estimates, the Administration's goals for the military would result in steady increases in costs so that by 2027, the base budget (in 2018 dollars) would reach \$688 billion, more than 20 percent larger than peak spending during the 1980s. Several factors would contribute to the rising costs after 2018, including the following:

- The number of people serving in the armed forces would increase by about 237,000 (or about 10 percent), CBO estimates;
- The Navy would increase its fleet to 355 battle force ships (nearly 30 percent more than are currently in the fleet); and
- Purchases of new weapons would increase, as would spending for research on future weapons.
- Costs also would rise because growth in expenses for military personnel and for operation and maintenance (O&M) would continue to outpace inflation, CBO anticipates.

If the new Administration's goals for increasing the readiness, size, and capabilities of the military were pursued, cumulative costs would be \$683 billion (or 12 percent) higher from 2018 through 2027 than costs of the Obama Administration's final budget plan for those same years, according to CBO's projections...About half of that difference (\$342 billion) would result from implementing the Trump Administration's goals for expanding the size of the military after 2018. The other half of that difference would accrue primarily because more spending is planned for readiness and for research and development than was included in the Obama Administration's final budget plan and because the current plan starts at a higher end strength than would have been the case under the 2017 FYDP. Specifically, the new Administration's request calls for 2.130 million military personnel in 2018, whereas the Obama Administration's final plan called for 2.074 million military personnel in that year.

National defense funding for the 2018–2021 period is subject to caps set by the Budget Control Act of 2011 (BCA). If DoD's costs grow in accordance with CBO's projection and the costs of agencies other than DoD that are funded in the national defense budget grow at the rate of inflation, total national defense costs for 2018 through 2021 would exceed the BCA caps by \$295 billion, CBO estimates...CBO did not attempt to project OCO costs because of uncertainty concerning current conflicts and the possibility of new ones. OCO costs are not constrained by the BCA.

## **Omitting Key Costs, Goals, and Objectives When a "Strategy" is Not Properly Defined**

The dangers in the lack of any meaningful detail in the NSS and NDS—and in the probable lack of any meaningful Future Year Defense plans and spending data in the FY2019 budget submission—are further illustrated by key omissions and shortcomings in the CBO's ability to make accurate estimates of the Administration's earlier plans. Plans that were based on far better defined force goals and plans that the NSS and NDS even hint at.

The CBO based its December 2017 estimates on the force goals that President Trump has

mentioned during his campaign, and on the testimony of the Vice Chiefs of staff in February 2017. It assumed that the Vice Chiefs were correct in testifying that:

- The Army's force would increase to 1.2 million soldiers, including the active component, Reserve, and National Guard (the authorized number in 2017 was 1.018 million);
- The Navy would increase the number of battle force ships from the current 279 to 355;
- The Marine Corps' force size would increase to 194,000 in the active component to fill the current 32 battalions (the authorized number in 2017 was 185,000) and the Corps would add 4 more battalions; and
- The Air Force would increase the active component to 350,000 personnel to fill the current force structure (the authorized number in 2017 was 321,000) and it would increase the fighter force from 55 to 60 squadrons.
- In addition, CBO estimated that adding four Marine battalions would require 3,600 people (for a total of 197,600) and adding five Air Force fighter squadrons would require 3,000 people (for a total of 353,000).

The CBO also addressed another key missing element in the NSS and NDS. It described the timeline for such a build-up: "growth in the number of service members that is consistent with current recruiting capacity and retention patterns. Under that plan, by 2022, the Marine Corps and Air Force would reach the goals described by their vice chiefs. The Army would reach its goal for the active component by 2022, but growth in the Army National Guard and Army Reserve would continue until 2028...The growth of the Navy's fleet would be limited by shipyard capacity, reaching about 330 ships by 2027 and meeting the 355-ship goal in 2037..."

It also assumed that readiness—operations and support costs—would increase at an average annual rate of 2.4 percent above the rate of inflation, and that they alone would reach \$455 billion in 2027. This seems relatively low and would necessarily sharply increase if the U.S. costs for its war, or overseas contingency outlays, were included. It also made far more modest assumptions about procurement costs that the NSS and NDS may now call for.

The CBO goes into considerable detail, but the key factors driving the rise in costs are:

...five years of acquisition cost data provided with DoD's 2018 budget request and then assumed that several changes would be made to meet DoD's new goals: Increase the rate of shipbuilding for the Navy's fleet, to arrive at 355 ships in 20 years... Increase purchases of the F-35A to allow the Air Force to field five additional fighter squadrons; and...Hold funding for basic and applied research and development at the 2018 amount (in real terms) to maintain support for developing more advanced weapon systems.

CBO's projections incorporate an assumption that additional Army brigades and Marine battalions could be equipped from existing stocks of weapons. If the Administration chooses to purchase more ground equipment as it increases the size of the force, those costs will exceed the amounts in CBO's estimates.

According to CBO's projections, DoD's acquisition costs would increase steadily after 2018 by an annual average of 1.2 percent above the rate of inflation, reaching \$220 billion in 2027 (The increases in acquisition costs would result primarily from increases in procurement of major weapon systems, including some already planned that were independent of the new Administration's goals.

These estimates do not include the cost of most aspects of nuclear modernization; beginning production of new bombers, supersonic trainers, nuclear cruise missiles, and intercontinental ballistic missiles, and. "a more aggressive procurement plan than that incorporated into CBO's estimate. For example, concerns about the threat posed by North Korean ballistic missiles could lead to significantly increased investment in missile defense systems."

They also do not include the cost of any of the major new technology and RDT&E programs necessary to actually implement the NSS and NDS. There is no way the CBO could not attempt to cost the new technology and readiness goals that are broadly stated in the NSS and NDS—but left undefined.

They do not include that readiness O&S costs will not include new higher cost modification programs. They do not include intelligence costs—military-related efforts where the NSS and NDS again set broad goals for major new programs.

They also make no assumption that there will be any actual war costs from FY2019 on—although the U.S. has since planned to keep forces in Syria and Iraq, increase them in Afghanistan, and has increased some aspects of military activity in Africa. The CBO notes that,

"OCO funding is generally omitted from estimates of long-term defense costs because the amounts are often unpredictable, and the need for OCO funding is assumed to be temporary. Given the use of OCO funding over the past 17 years, however, CBO is now working to identify elements of that funding that should be considered part of the base budget. Unfortunately, currently available data are insufficient for CBO to include such estimates in this report."

A war free world may be desirable, but it seems something of a fantasy to project U.S. military spending as if it were a reality.

### **Busting the Budget Control Act Limits in an Era of Government Shuts and Partisan Division (Between and Inside Political Parties)**

Yet, the CBO still estimates that the total additional cost of the Administrations proposed build-up over the period from FY2018 to FY2022 would be \$3,050 to \$3,200 billion according to the Department of Defense and \$3,030 billion according to the CBO estimate. This would be \$295 to \$400 billion above the level of the Budget Control Act, even if a wide range of programs that may be called for the NSS and NDS are not included.

The CBO describes the impact of even more limited serious defense build-up as follows:

The Budget Control Act of 2011 established caps on discretionary appropriations—including those for national defense—through 2021... However, the caps do not constrain appropriations designated for OCO or for emergency requirements for defense or for other areas, such as relief after a natural disaster. The BCA's limits have been increased three times since 2011: by the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013, and most recently the Bipartisan Budget Act of 2015. Taken together, those actions eased the constraints on funding each year from 2013 to 2017 but left intact the limits for 2018 through 2021.

Under the terms of the BCA, if lawmakers provide defense appropriations within the BCA's limits on funding for national defense, no sequestration (the cancellation of budgetary resources after they have been appropriated) would occur for base-budget or OCO funding. However, if lawmakers appropriate more in any year for national defense (excluding OCO or emergency funding) than the BCA allows, sequestration would take effect in an amount equal to the overage (that is, the difference between the appropriated amounts and the BCA's limit in that year). Sequestered

funding for OCO would also then contribute to reducing the overage.

The President's 2018 request included \$603 billion in discretionary national defense funding, of which \$575 billion, or 95 percent, is for DoD's base budget. The request exceeds the BCA's cap of \$549 billion for national defense in 2018 by \$54 billion. If DoD's costs grow in accordance with CBO's projection and the costs of agencies other than DoD that are funded in the national defense budget grow at the rate of inflation, total national defense costs for 2018 through 2021 would exceed the BCA caps by \$295 billion. Avoiding sequestration would require amending the BCA to increase the caps, scaling back the goals of DoD (and possibly those of the other agencies funded by the national defense budget), or taking some combination of those actions.

*In actual practice, if all of the efforts outlined in the NSS and NDS were included on the time scale used by CBO, the real world cost over the caps in the Budget Control Act could be 50% to 100% higher. There simply is no way to tell.*

It is also critical to remember that these costs only include the Base spending level for the Department of Defense. They do not include the nuclear weapons efforts in the Department of Energy, the national security efforts of the State Department and USAID, or the national security costs in Homeland Defense and federal law enforcement. The fact that they omit any wartime costs alone also makes it impossible to make any meaningful estimate of the cost needed to analyze the real world impact of defense on total federal spending, and the trade-offs that will be necessary with other discretionary and entitlements (mandatory) spending.

### **Will a Real National Defense Strategy Ever Be Developed?**

In fairness, one has to ask what the Administration and Department of Defense would actually gain by presenting a real strategy to so divided a Congress. The careful incrementalism that helped lead to more military spending in FY2018, and stretching the use of OCO money to include other activity, may well have served the Department better in the short run than a debate over a serious plan for a systematic and balanced defense build-up.

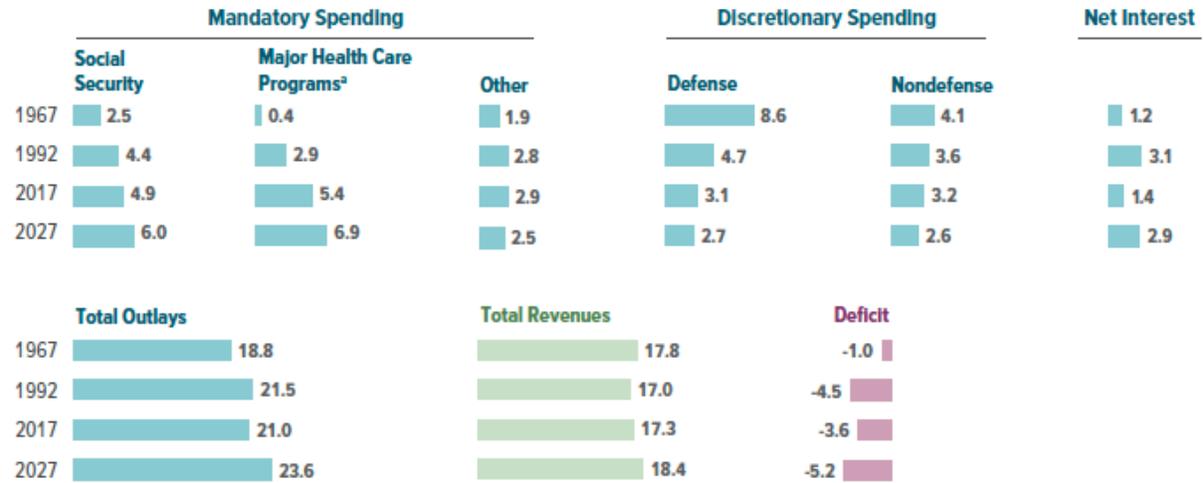
This same incrementalism, however, cannot produce a consensus around the kind of increased defense effort called for earlier by the Vice Chiefs or in the NSS or NDS issued in January. Implementing and funding any credible plan that could translate the intentions in the NSS and NDS into sustained, well-managed, and properly funded efforts does requires an actual strategy with real plans, real details, real schedules, the proper resources, and measures of effectiveness that is consistently implemented over time.

One way or another, it requires hard choices by the Administration, the Congress, and the American people about the trade-offs between national security and civil spending, and the level of revenues the government should collect. In that sense, the goals and intentions of the NSS and NDS are all too important. The United States has already done enough damage to its national security by the fights over the BCA, sequestration, and short-term half measures to limit the resulting damage to its national security.

## CBO: A Rising Deficit That Affects the Entire Economy Even with Steady Cuts in the National Defense Effort

### Spending and Revenues Projected in CBO's Baseline, Compared With Actual Values in 1967 and 1992

Percentage of Gross Domestic Product



Source: Congressional Budget Office.

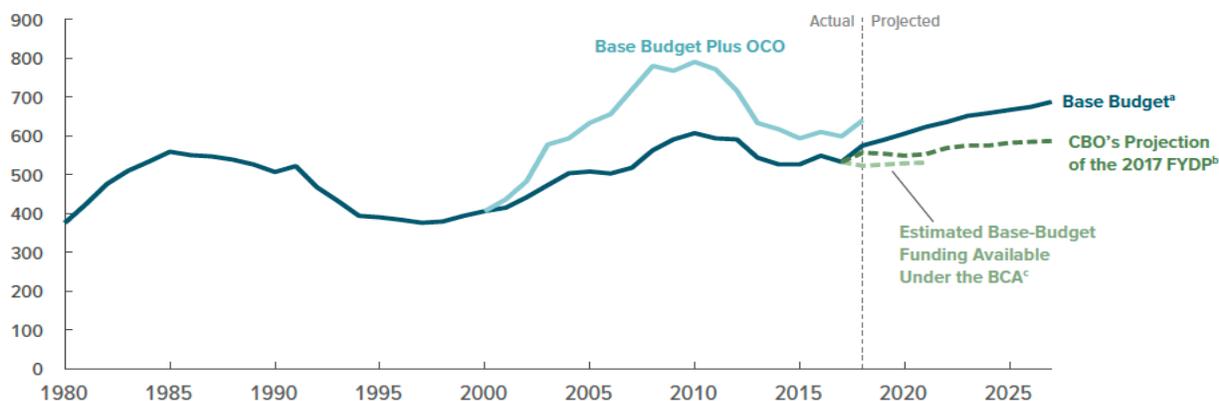
a. Consists of spending on Medicare (net of premiums and other offsetting receipts), Medicaid, and the Children's Health Insurance Program as well as outlays to subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and related spending.

CBO, Long-Term Budget Outlook, 52801, June 2017, p. 6.

## CBO Guestimate of Cost of Executing Pre-NSS/NDS Estimates of Administration's Military Build-up Plans Less War and Other Probable Costs

### Funding for DoD's Activities and Projected Costs of the Administration's Goals for the Military

Billions of 2018 Dollars



Source: Congressional Budget Office.

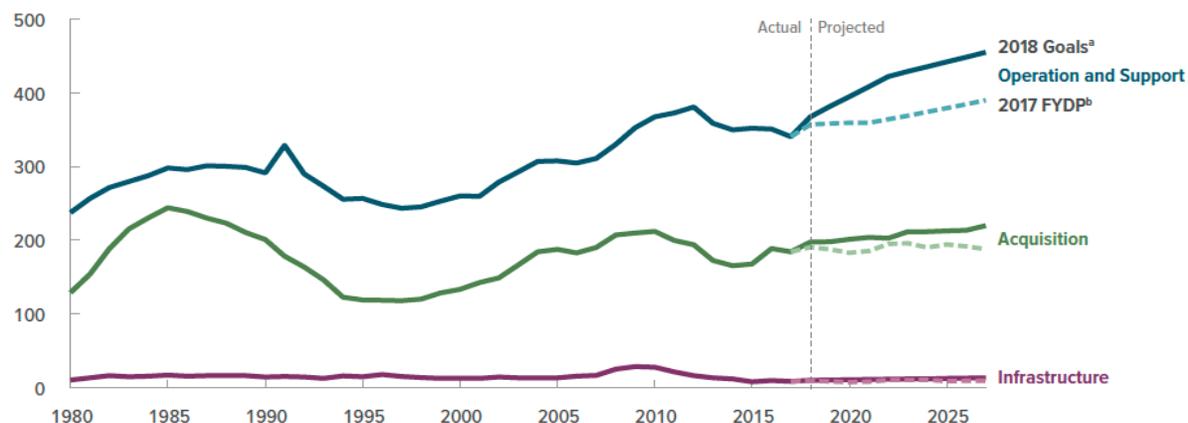
Base-budget data include supplemental and emergency funding appropriated before 2001. For 2001 to 2018, supplemental and emergency OCO funding is shown separately from the base-budget data. After 2018, no OCO funding is shown.

BCA = Budget Control Act of 2011; DoD = Department of Defense; FYDP = Future Years Defense Program; OCO = overseas contingency operations.

- CBO's projection of DoD's costs under the Administration's 2018 goals is based on DoD's fiscal year 2018 budget request and other documents, including Congressional testimony presented by DoD officials.
- The 2017 FYDP was the Obama Administration's final defense plan, which covered the 2017–2021 period. CBO projected the costs under that plan through 2027.
- The estimate reflects 95 percent of the total funding available for national defense under the BCA's caps for 2019 through 2021—the same fraction allocated to DoD in the Administration's budget request for 2018. (The other 5 percent was allocated to the Department of Energy's nuclear weapons activities and to a host of smaller defense-related activities in other departments and agencies.)

### Operation and Support, Acquisition, and Infrastructure Costs in DoD's Base Budget Under CBO's Projections of the Administration's Goals for the Military

Billions of 2018 Dollars



Source: Congressional Budget Office.

Operation and support includes military personnel, operation and maintenance, and revolving and management funds; acquisition includes procurement and research, development, test, and evaluation; and infrastructure includes military construction and family housing.

DoD = Department of Defense; FYDP = Future Years Defense Program.

- Based on DoD's fiscal year 2018 budget request and other documents, including Congressional testimony presented by DoD officials.
- The 2017 FYDP was the Obama Administration's final defense plan, which covered the 2017–2021 period. CBO projected the costs under that plan through 2027.

## CBO's Projections of the Administration's Goals for Military End Strength

Thousands of Service Members

	2017		2018	CBO's Projections <sup>a</sup>		Projected Change in Personnel, 2018 to 2027	
	Requested	Authorized	Requested	2022	2027	Number	Percent
<b>Army</b>							
Active component	460	476	476	540	540	64	13
Reserve	195	199	199	216	238	39	20
National Guard	335	343	343	373	410	67	20
<b>Navy</b>							
Active component	323	324	328	344	354	26	8
Reserve	58	58	59	59	59	0	0
<b>Marine Corps</b>							
Active component	182	185	185	198	198	13	7
Reserve	39	39	39	39	39	0	0
<b>Air Force</b>							
Active component	317	321	325	353	353	28	9
Reserve	69	69	70	70	70	0	0
National Guard	106	106	107	107	107	0	0
<b>DoD Totals</b>							
Active component	1,282	1,306	1,314	1,435	1,445	131	10
Reserve	361	365	366	384	405	39	11
National Guard	441	449	450	479	517	67	15
<b>Total Force</b>	<b>2,083</b>	<b>2,119</b>	<b>2,130</b>	<b>2,298</b>	<b>2,367</b>	<b>237</b>	<b>11</b>

Source: Congressional Budget Office.

Based on DoD's fiscal year 2018 budget request and other documents, including Congressional testimony presented by DoD officials. DoD measures the size of its force in terms of end strength—the number of military personnel on the rolls as of the final day of a fiscal year.

DoD = Department of Defense.

a. CBO's projections incorporate the assumption that the active Army, Marine Corps, and Air Force would reach their end strength goals no later than 2027. CBO projected that the Army Reserve and the National Guard would reach their end strength goals by 2028. The Navy's growth would be slower, matching the rate at which it could build ships and add them to the fleet. As a result, CBO projects that the Navy would not reach its final end strength goal until 2037.

CBO, *Analysis of the Long-Term Costs of the Administration's Goals for the Military*, CBO 53350, December 2017, p. 2, 6, 4.