

Heritage Lectures

No. 1131

Delivered August 27, 2009



Published by The Heritage Foundation

September 2, 2009

The Perils of Prediction and Unpreparedness in Building the Future Force

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I've been asked to start off the discussion by commenting on what kinds of current and future threats our nation faces and to discuss how our understanding of them can best inform your task of transforming the United States Army. There are many things the Army will need to do to:

- *Develop* a balanced force capable of dealing not only with counterinsurgencies, but with conventional threats;
- *Help* other nations train their armies;
- *Deter and defeat* so-called hybrid threats; and
- *Provide* support to civilian authorities.

We can see from this list alone how complex your task is. The Army must deal not only with the straightforward job of possibly countering known armies in set-piece battles, but also operating in a fluid, uncertain, and therefore very dangerous threat environment. On top of this, you are being asked to do things that are not normally considered combat missions.

I would like to focus my remarks not so much on specific threats, which many people have written about, but on the implications of this Administration's emerging national security policies for our broad military strategy. Many of the changes appear to be subtle, but some may not be so subtle when examined against the backdrop of future budgetary, technological, and geopolitical trends. I would like to take a closer look at all of these changes and the implications they have for building the future force.

Talking Points

- Most waste and abuse in the defense budget is caused not by building too many weapons, but by overengineering systems; by duplication, congressional meddling, unpredictable defense outlays; and by defense companies overpromising and underbidding.
- We can afford to pay more for defense, but we need to be more modest in our strategic assumptions and build that modesty into not only our military strategy, but also our force posture and modernization programs.
- We need to determine the kind of force and weapons we need not because we are predicting whether conflicts will or will not happen, but because we want to be capable of handling them if they do.
- If done right, sound strategic analysis, which accepts the reality of uncertainty as well as the need for developing certain long-range capabilities, can be mindful of cost.

This paper, in its entirety, can be found at:
www.heritage.org/Research/NationalSecurity/hl1131.cfm

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Center for Foreign Policy Studies
of the
Kathryn and Shelby Cullom Davis
Institute for International Studies

Published by The Heritage Foundation
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Washington, DC 20002-4999
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Budget Pressures

For starters, we are in a period of retrenchment on defense budgets and defense spending.

Secretary Robert Gates, as we know, cut this year's defense budget (in 2009 dollars) by \$5.5 billion, but folding even more supplemental war spending into the regular defense budget next year will put further downward pressure on spending.

Defense spending spiked during the Iraq and Afghan wars, of course, but this was caused largely by high operational costs. Defense spending increased by somewhat less than 8 percent per year in real terms from fiscal years 2001 to 2008, the last full year for which we have numbers. However, because war spending was done through supplemental bills, the procurement budget remained relatively flat (relative, that is, to the total defense budget).

The bottom line: Because of heavy use and slow procurement, replacement, and modernization rates, in recent years we have focused more on short-term needs than on the long-term capabilities and modernization of America's armed forces.

Keep in mind that this budgetary retrenchment—a combination of flat procurement budgets and high operation costs—came on the heels of the 1990s so-called peace dividend, which substantially reduced the size of U.S. forces and real-dollar procurement budgets from their Cold War levels.

Add to this the mandatory obligations of social entitlements—particularly to pay for Social Security, Medicare, and Medicaid—and the long-range outlook for investing in national defense looks bleak. Around the middle of this century, according to Congressional Budget Office projections, spending on these entitlements will absorb *all* federal revenue (if revenues remain at the historical average, taxes are not massively increased, and other cuts are not made).

The problem is not just entitlement spending, but spending overall. In 2008, the CBO concluded

that the national debt would surpass 100 percent of GDP in 2032 and exceed 200 percent by the late 2030s.¹ And these projections were made before President Obama's recent deficit spending practices were in place. All of this puts a huge squeeze on the discretionary side of the federal budget, of which defense is a very large part.

Yes, taxes could be increased, but the CBO warned that marginal tax rates would have to more than double just to pay for the projected increase in entitlement spending alone. Doing so, it said, would "significantly reduce economic activity and...not be economically feasible."² Even if these high tax rates were politically sustainable, which I doubt, they would still likely not keep up with the expansion of entitlement programs.

The only reasonable conclusion one can draw from this scenario is that increases in domestic and entitlement spending will continue to crowd out defense spending. Unless these trends are reversed, we may be on our way to a European model whereby the costs of a large social sector will make substantial national security spending nearly politically impossible to sustain.

Proliferating Missions

Meanwhile, at the same time that resources and inputs into the armed forces have declined, we have seen increasing and proliferating military missions.

- The U.S. and its allies have been involved in two full-scale wars.
- NATO, which never fought a day in the Cold War, is today involved in five operations.

These and other conflicts demonstrate the irregular nature of modern warfare, and the armed forces are being asked to take on new missions on top of regular combat operations—from peacekeeping and post-conflict reconstruction to humanitarian operations and promoting economic development and good governance. There are even calls for the armed forces of the world's democracies to be

1. Peter Orszag, Director, Congressional Budget Office, "The Long-Term Budget Outlook and Options for Slowing the Growth of Health Care Costs," testimony before the Committee on Finance, United States Senate, June 17, 2008, pp. 5, 7, at http://www.cbo.gov/ftpdocs/93xx/doc9385/06-17-LTBO_Testimony.pdf (September 2, 2009).
2. Peter Orszag, Director, Congressional Budget Office, letter to Representative Paul Ryan (R-WI), May 19, 2008, at www.cbo.gov/ftpdocs/92xx/doc9216/05-19-LongtermBudget_Letter-to-Ryan.pdf (September 2, 2009).

reconfigured to deal with climate change and the broader insecurities of humankind (so-called human security issues).

The Department of Defense is already in the foreign aid and development business. Its budget for “development” was dramatically increased under Secretary Donald Rumsfeld, and many people today would like to see that figure go even higher.

Such opposing pressures put defense planning and budgets in a vise-grip. Caught between downward budgets on the one hand and the political demands that the services do more on the other, the forces face the dilemma of having to choose between short- and long-term capabilities.

If history is any guide, the reaction to this dilemma will be to “offset” existing operation costs by cuts in the procurement of new weapons. This happened in the 1970s. It happened again in the 1990s. And it appears to be happening again today. But as we do this, as in those past cases, the decisions are not cost-free. In fact, we run the risk of either skipping or not taking full advantage of the next generation in weapons and systems modernization.

I cannot honestly say that the procurement and defense budget decisions this Administration has made so far make this outcome inevitable, but they do—rightly, in my opinion—raise the concern that more of the same could come in the future.

Key Questions for Planners

These observations lead to a set of questions that I think should be answered:

First, do the new capabilities assessments by this Administration acknowledge this dilemma? Or do they ignore it, rationalizing that we just need to do things differently or no longer need to do some things the way we used to—like conventional warfare, for example?

Second, are we making predictions about tomorrow to suit near-term concerns and interests, and thereby possibly mortgaging future security, because we cannot reliably predict the future or bring ourselves to admit the dilemma we are in?

Third, given that democracies historically have invested more in defense in the past, how do we account for the political pressures to invest less

now? Are these pressures coming from a sound economic analysis of affordability? Or are they being generated by political considerations about spending priorities?

I fear that we may be seeing such instances of rationalization in the most recent defense budget proposal.

Secretary Gates argues that he made specific cuts in certain programs not for budgetary reasons, but to satisfy the imperatives of a new strategy. Just this month, he described the two-war construct as “unrealistic.” In June 2008, he wrote in his *National Defense Strategy*:

U.S. predominance in traditional warfare is not unchallenged, but is sustainable for the medium term given current trends. The 2006 Quadrennial Defense Review focused on non-traditional or irregular challenges. We will continue to focus our investments on building capabilities to address these other challenges, while examining areas where we can assume greater risk.

The assumption is that the risk of conventional war is remote, while future wars will more closely resemble the irregular warfighting of Iraq and Afghanistan.

Secretary Gates emphasized this point when he released his budget, stating that every dollar we spend to “over-insure” against some “remote” risk is a dollar unavailable to “take care of people, reset the force, [and] win the wars we’re in.” He is making a strategic argument here, but many experts question whether it is actually budgetary pressures, not strategy, that is forcing him to make these choices.

Essentially, the Secretary is moving away from a “capabilities-based” strategy that could handle a wide range of possible threats and scenarios but that is more expensive. He is advocating a more narrowly based “threat-based” strategy, one that presumes to know with relative certainty what the future will hold. This approach can also be used to justify more restraint on spending by arguing that we need not do certain things because we don’t have to.

There is a lot to what the Secretary of Defense is saying about the current environment; he may or may not be right about his assessment of threats and requirements. But what if he’s not?

We all know how military strategists and intellectuals like “to fight the last war.” As smart as Secretary Gates is, how sure can he be that he can predict every new development in the security environment for the next 10 to 15 years? A large number of our wars and attacks on Americans have been the result of strategic surprises—Pearl Harbor, the Korean War, the Tet Offensive, the first Gulf War, even 9/11. Even if they were due to intelligence failures, at the very least they should make us humble about predicting the future.

We should be careful to not rationalize lower defense budgets—and, more important, move the focus away from conventional forces and conventional warfare—by unrealistically narrowing the range of possible threats that the U.S. will face in the future. I, for one, do not feel comfortable concluding that conventional wars between states are obsolete. They may be; they may not be. I don’t know for certain, and, frankly, neither does anyone else. As a historian, I remember people who once confidently predicted that World War I was the “war to end all wars.”

The Secretary seems to be admitting there is some risk involved here and that we can accept that risk as manageable, but why do we have to accept this risk? What is driving the need for it?

Secretary Gates has claimed that the driving force is not the lack of money but strategy, but it is hard to avoid the conclusion that if more money were available, we would not have to make the hard budgetary choices Gates claims must be made. After all, why say there is a risk that must be managed if the cuts in programs are done purely for strategic reasons? The purpose of strategy is to eliminate risk, not manage it. Why assume the risk at all if more investment would minimize it and a lack of money, supposedly, is not the problem?

I honestly don’t see how you can exclude budgetary considerations from a discussion of President Obama’s defense strategy. I believe the Secretary has concluded that the current operational costs are so high, and that the overall defense

share of the budget is fixed, that he has no choice but to cut certain programs.

But this raises a larger question: Why, of all the federal budget accounts, is defense singled out for fiscal discipline? President Obama appears to have no problem with enormous deficits and debt if they advance his domestic priorities. It’s worrisome that the only part of the federal budget that seems to be under some restraint is the defense budget. Why is that?

Today, we are spending roughly 4.2 percent of GDP on defense, but only 3.8 percent if you take out war funding. We have spent far more in the past without bankrupting the country—as high as 9.8 percent during the Vietnam War and about 6 percent in the 1980s.³ The Administration’s budget would return defense spending to pre-9/11 levels at the same time that threats to security are on the rise.

The driving force behind incurring increased risk, therefore, appears to be political. Frankly, I don’t have any problem with political debates about our priorities. That’s what our democratic system is all about. But our debates should be forthright. We are incurring these risks not because we have to or because they are strategically wise, but because of political decisions about spending priorities.

I also wonder why we are drawing broad strategic conclusions even before the QDR is complete. Take dropping the two-wars construct in U.S. strategy, for example. I know this has been discussed for years and that many people think it is inevitable, but we need to think about the long-term implication of doing so, explicitly and as a matter of policy.

Just think what dropping the two-wars construct signals to potential adversaries. Russia could very well interpret it to mean we have completely written off the possibility of coming to the defense of some NATO allies in Eastern Europe. We may not wish that to be the conclusion they draw, but it could be—despite our best wishes.

Old Trends Merge with New Ones

All of this new discussion of budgets and strategies comes on the heels of budget trends that

3. Baker Spring, “Defense FY 2008 Budget Analysis: Four Percent for Freedom,” Heritage Foundation *Backgrounder* No. 2012, March 5, 2007.

have been going on for some time, so this cannot be laid at Secretary Gates's or President Obama's doorstep alone.

The fact is that the U.S. Army (and not only the Army) has for some time invested more in today's force than in tomorrow's. Its operations and support accounts have dominated its budget in recent years. At the same time, investments in modernization programs, including procurement, R&D, testing, and evaluation, have been constrained. I have the impression that the Army was recognizing this imbalance towards the end of the last Administration, but this Administration's budget priorities may change that.

Part of high operations costs is the understandable desire to improve the quality of life for military personnel. The Army's manpower costs have increased at an annual rate of 10 percent per year since September 2001. Since it appears the Army's active end strength will grow even more in the future, the normal method of offsetting the growing compensation costs—by reducing end strength, as was done in the 1990s—will now not be an option. Thus, there will be even more pressure on the modernization and procurement budgets to accommodate this trend.

The Perils of Superiority Ambivalence

There is a larger problem here that I would like to address, and it's not so much about budgets or money, but, again, about assumptions—assumptions that appear to be prevalent in this Administration's strategic thinking. I call one of these assumptions “superiority ambivalence.”

Let me quote in full Secretary Gates's remarks that I referred to a moment ago:

[I]t is important to remember that every Defense dollar spent to over-insure against a remote or diminishing risk or, in effect, to run up the score in capability where the United States is already dominant is a dollar not available to take care of our people, reset the force, win the wars we are in, and improve capabilities in areas where we are underinvested and potentially vulnerable. That is a risk I will not take.

I think the underlying assumption here about the nature of our military superiority is illuminating. It is, put simply, that we can afford to let our superiority wane in areas where we are “far” ahead.

But should we? I would ask that we think that assumption through. There is an inherent benefit in having wide margins of military superiority, if for no other reason than that a superiority gap reduces the incentive and ability of others to catch up and threaten us.

China is not only working on asymmetric responses to us; it is challenging us in such conventional areas as submarines and ballistic missiles. Do we think that they will slow down in those areas or others just because we choose to allow the superiority gap to narrow ourselves? The Chinese and others will challenge us conventionally and unconventionally, and if we let one area of superiority atrophy, it could well be tomorrow's area of strategic surprise.

The timeline for others to develop weapons and capabilities is shrinking, not only because we've already spent the high cost of developing the technologies, but also because of rapidly advancing technologies elsewhere. Proliferation, the Internet, and advanced computers give other nations like China a timeline advantage they didn't have before and thus introduce for planners a wide degree of uncertainty about predicting the future.

China's push to challenge us in space by shooting down a communications satellite with an ICBM is a good example. All of our military forces are dependent on our advanced network of satellites in space, so China's rapid technological advancements in this realm are worrisome.

Our superiority has a quality of dissuasion all of its own. It exists by its very presence—in the sense that America's singular ability to project power and hold on to territory is a factor all other nations must deal with. If we were to convince ourselves that this capability is no longer needed or affordable in general, or even in certain sub-areas, then we would signal to potential adversaries that they have a whole range of new options.

It doesn't take a lot of imagination to realize how much more dangerous Iran and North Korea would be if they were convinced that we had lost confi-

dence in our ability to project certain kinds of conventional military power overseas. The same is true for Russia and China. Both would more likely accelerate their conventional weapons programs in areas where they perceive weaknesses in our future commitments.

Now, I'm not suggesting for a moment that this is what the President and Secretary of Defense intend or want. Nor am I suggesting that this outcome is inevitable from decisions made in this year's budget. But I am suggesting that there are more chronic problems built into the way we fund and build the force than we currently recognize—and that we brush them under the rug at our peril.

In the end, I firmly believe that U.S. military superiority is a form of deterrence. It is a strategic value in itself. And while it is true that our adversaries will always try to find ways to get around our superiority, we should not be making it easier for them by restraining modernization programs because we think we have “run up the score.”

Strategic “Systems Engineering”

I realize there are tough decisions to be made. I am not suggesting a completely unconstrained defense budget. We can afford to pay more for defense than we are doing, but we shouldn't just spend more because we can.

Rather, I'm suggesting that we be more modest in our strategic assumptions—about confidently predicting the future, for example—and that we build that modesty and uncertainty into not only our military strategy, but also our force posture and modernization programs.

Think of it as strategic “systems engineering” at its best. Ask the right questions and make sure you are answering those questions honestly and faithfully, and you have a better chance of getting both the right kind of force and also one that is affordable. For example:

- What capability does the Army need to defend against a Russian ground threat in Eastern Europe? Is that prospect really so unimaginable? Given what Russia did last year in Georgia, are we really at the point where we can completely discount the possibility that Russia

would not militarily intimidate the Baltic States which are now NATO members?

- What capability does the Army need to respond to North Korean aggression on the Peninsula without sustaining large initial losses? The Marines have essentially given up their amphibious assault capabilities without a debate because of war needs for Iraq and Afghanistan. What does that mean for the Army in Korea?
- What fighter capabilities do we need to dominate the air not just in one region, but globally should we face conflicts in two regions—and not just from major air force competitors like Russia and China, but from any of the second-tier powers that may decide to challenge us?
- What kind of naval capabilities would we need to break a Chinese naval blockade of Taiwan? And if we don't have those capabilities, what are the implications for the Army's supply lines in Asia?
- Finally, what kind of robust and comprehensive missile defense capabilities will we need to counter a possible breakout of one or more countries gaining offensive nuclear missile capabilities?

We should work back from these questions to determine the kind of force and weapons we need. We should do so not because we are predicting whether conflicts will or will not happen in these areas, but because we want to be capable of handling them if they do.

Conclusion

Most of the waste and abuse in the defense budget is caused not by building too many weapons or “running up the score,” but by overengineering systems; by duplication, congressional meddling, unpredictable defense outlays; and by defense companies overpromising and underbidding.

If we are rigorous in our strategic analysis and focus on what's really needed to reduce risk, we need not break the bank. I've made it clear that I think a budgetary exercise masquerading as strategic analysis is not what we need right now—and, therefore, that we could afford to spend more.

But I also think that sound strategic analysis, which accepts the reality of uncertainty as well as the need for developing certain long-range capabilities, can—if done right—be mindful of cost.

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