TRANSCRIPT
Defense 2020

“The Republican Debate over Defense, Part 2”

RECORDING DATE
Friday, November 1, 2019

GUESTS
Mark Cancian
Senior Advisor, International Security Program, CSIS

Thomas Mahnken
President and CEO, Center for Strategic and Budgetary Assessments

Jen Stewart
Minority Staff Director, House Armed Service Committee

HOST
Kathleen Hicks
Senior Vice President, Henry A. Kissinger Chair, and Director, International Security Program, CSIS

Transcript by Rev.com
Hi, I’m Kathleen Hicks, Senior Vice President and Director of the International Security Program at the Center for Strategic and International Studies, and this is Defense 2020, a CSIS podcast examining critical defense issues in the United States' 2020 election cycle. We bring in defense experts from across the political spectrum to survey the debates over the U.S. Military strategy, missions and funding. This podcast is made possible by contributions from BAE systems, Lockheed Martin, Northrop Grumman, and the Thales Group.

In this episode of Defense 2020, I continue the discussion with three Republican experts on defense. My colleague Mark Cancian, Senior Advisor in the International Security Program at CSIS, Jen Stewart, Republican Staff Director at the House Armed Services Committee, and Tom Mahnken, President and CEO of the Center for Strategic and Budgetary Assessments. We continue our discussion begun in the last episode, regarding views within the Republican Party on key defense issues heading into the 2020 election. So we’re back for another episode with our guests speaking through the Republican party viewpoints on issues relating to defense and we’re going to focus today’s conversation on the defense budget. And the capabilities that flow through that; and we were just joking, this will be the really nerdy stuff for the deep listeners. So on defense budget, the Trump Administration has increased the defense budget over the Obama era budgets. There has been a growth in capability, spending, and an emphasis on readiness.

I think that’s a fair way to describe where the Administration has framed its choices. And in FY2020, they have a budget request at $738 billion and then Gallup in 2019, there’s this interesting poll, which I think it may even reflect where defense wonks are, where 25% of Americans say defense spending is too low, 29% sights too high, 43% say it’s just about right, as sort of the Goldilocks poll.

So let me start the conversation having laid the table that way, and I’m going to start with Jen Stewart and ask is the defense budget and its broad spending levels heading in the right direction and what do you expect to happen in the coming FY21 and 22 years?

Thanks Kath. I would say yes, it is headed in the right direction. One of the things that we do talk about though, is we’re not going to maintain the same level of trajectory that we did for FY18, 19, 20, to reset the conversation about what the top line level should be, and I’m sure at some point in the conversation we’re going to talk about this in more depth. So I’ll just mention now briefly that’s why what the Department [of Defense] is doing right now with the audit, the efforts we’re making with “Fourth Estate” reform and business processes and practices are going to be so critically important over the next couple of years.
Mark Cancian: The defense budget is appropriate given the strategy that we have, and this is strategy – the Trump strategy is really an outgrowth of what you saw in the late Obama Administration, in other words, after 2014, when Russia takes over the Crimea, ISIS comes flying out of the desert, China continues its assertive policies in the South China sea. The Obama Administration shifts, identifies the five threats. They start with Russia and then China. Trump Administration picks up on that, very similar. They put more emphasis on Russia and China and they flip, so China’s the greater threat, but if you want to implement that strategy, that is, meet these five challenges to have global presence, to be able to respond to crises globally, you need a budget that’s about where we are today.

Thomas Mahnken: So I would agree with that, just in terms of overall budget level and I would second Mark’s comment about the consistency of that overall budget level with the strategy. I would further say, I think if you dive down a little bit deeper and say, are we spending more giving more attention to programs associated with competing with China and Russia? I think the answer there is also yes, but then if you get down into even more in the details of, are the types of winners and losers that we see in the budget, the ones that you would expect in that strategy? I think the picture there becomes more mixed and we’ll probably dig into that a little bit more as we go forward.

Kathleen Hicks: Yeah, I want to come back to that. Let’s stay on the broad defense budget for the moment. And you know, it sits within a very contested space on budget and revenue issues overall for the U.S. government. I’m going to come back to you, Mark. It sits inside that discretionary spending, it’s the largest percent of discretionary spending, but discretionary spending is not what’s driving the overall budget challenge and deficit challenge for the United States. So it’d be helpful, I think, to kind of talk through, maybe describe more better detail than what I just did, how you think through the budget piece and then the prospects of actually being able to maintain this level of spending regardless of what the strategy is in that environment.

Mark Cancian: Well, the challenge you say, is that when you look at the budget, it’s the entitlements, the mandatories that have been growing over time to now, about two thirds of the budget. Discretionary, both the domestic and defense is about one third, just about split evenly. Over time, the entitlements will rise and the deficit will increase. There’ve been several attempts to try to narrow that gap, but the Republicans hold firm on revenues and defense. The Democrats hold firm on entitlements and domestic. The agreement, the compromise they’ve reached, is that we will send the bill to our children and grandchildren and others, we will spend money today, we will borrow and then we’ll let the future worry about that. That’s been the compromise for the last number of years. I expect that to continue, a lot of debate about whether that can continue over the long term. Some people argue that we can keep doing that because the world uses the dollar as the reserve currency. Others argue that no, at some point the psychology will change.

Kathleen Hicks: And interest on the debt, I didn’t hear that play in. How does that play in?
Mark Cancian: Well of course that grows over time as the debt increases, and also as interest rates rise, if they go back up to more normal levels, they’ve been abnormally low for the last couple of years. That will start to rise also. But, given the approach the last couple of years, we’ll just throw that on top and increase the deficit.

Kathleen Hicks: So Jen up on Capitol Hill, Mark had mentioned on the sidelines in the earlier episode that a deficit hawks are bygone era.

Mark Cancian: Hunted to extinction.

Kathleen Hicks: Yes, hunted to extinction. Thank you. I wonder if the picture looks the same to you up on Capitol Hill, in the defense authorizing world where you have to grapple with many of these challenges across and inside the party about how the party is looking at, or members inside the party are looking at this broader picture on the budget and how defense sits within it, and if you can talk a little bit about what you’re seeing.

Jen Stewart: No, I appreciate that. And I would say Mark, where I do agree, is right now it appears that the conversation about being fiscally responsible seems to have waned. What I would offer from my perspective is that 10 years ago when we did the Budget Control Act, there was political will to reign in spending but not political will to reign in the driving factors of the deficit. So we ended up with the Budget Control Act and then as a political agreement, it was a dollar for dollar parity, not parity, but dollar for dollar parity between defense and non-defense, and I’m being specific when I say that. What we’ve discovered over the last 10 years between the brinkmanship, with government shutdowns going into sequester, we’ve proven to ourselves that we know what we don’t want.

Jen Stewart: We have not figured out a way to address the things we know need to happen. So if you look at where, just on the Hill, where the defense hawks are, many of them would resist the notion that you are either a defense hawk or budget hawk. They would say we are both, but the mechanism we use to reign in spending through the Budget Control Act disproportionately hurt the military, and we are resisting that. We still believe there needs to be a long term conversation about how we’re going to reign in government spending. And I would not resist if you wanted to rebut me and saying, but how Jen?

Mark Cancian: Well, I rise to that challenge. My criticism of the Republican approach is that yes, there’s been a lot of interest in reducing the deficit, but the way they want to do it is by squeezing entitlements, not touching revenues and keeping a large defense budget. But that is-

Kathleen Hicks: And just to be specific for the listener, not touching revenues, you mean not raising revenues, such as through taxes.
Mark Cancian: Not raising taxes, exactly, exactly. And that failed during the Reagan Administration. It failed in the Bush Administration. It failed in the commission that was set up in the Budget Control Act. So I see no reason that it will succeed in the future, and if we really want to make progress, we’re going to have to try a different strategy.

Kathleen Hicks: So Tom, I think we now get squarely into your wheelhouse. If the listener has some concerns about our ability to actually continue to grow the defense pie, that means trade-offs will be needed within the pie or different ways of shaping how we spend defense money. And what’s kind of at the top of your list of the trade-offs we need to be thinking about?

Thomas Mahnken: Well, before even getting into the trade-offs. Let’s talk about the criteria. So, what should be the criteria given that we are in an era marked by competition with China, with Russia, given that our resources are not unlimited, they’re quite limited. So how should we prioritize? And I think really thinking through the operational challenges, the strategic challenges that we face and then using them as the sorting function for what Department of Defense does. I think that’s one of the things that can really give us leverage and make this more of a tractable problem and can highlight the types of trade-offs that we need to make.

Kathleen Hicks: And so, what do you think are the pressing criteria? What do you think are the big issues that the department’s going to need to grapple with?

Thomas Mahnken: Yeah, I look at the highest level, unless we settle for a diminished role in the world, unless we walk away from commitments that we’ve held for decades, we need to be able to not just protect American lives and property, but we need to be able to stand with our allies. We need to be able to project American power and influence abroad in an increasingly contested environment. We also need to help keep the international system knitted together. And so that means we need, not only the ability to defend [the] homeland and defend our allies, but also to project power abroad in a time when that’s increasingly difficult.

Kathleen Hicks: Jen, where are you seeing the trade space?

Jen Stewart: Right now, we’ve been pretty consistent in talking about the need to invest in emerging technologies to reprioritize modernization, and I assume at some point you’re going to talk to us about modernization of the [nuclear] triad, where I would tell you we’re continuing to run into friction, and this is a normal friction point, but resisting the temptation to fall back into continuing to prioritize current needs over future needs. And that includes resourcing combatant commands over strategic reset of the services, as an example of something that’s being looked at right now. One of the areas that I do feel that we are making progress and I won’t get into the services, but we are seeing real effort that is appearing in how they produce their budget documents and seeing to us the reemphasis over modernization over current readiness challenges.
Mark Cancian: I think this shows a bipartisan split that is not associated with the parties, but a split within the strategic community between what I would call the traditionalists, who would build a spectrum of capabilities that could operate against a great power, but also do the day to day demands that come from the combatant commanders and what I would call the futurist who would focus almost exclusively on great power competition. And for example, if you looked at the Air Force, I think the futurist would argue, get rid of those legacy aircraft like the A-10 and the F-16, focus on F-35 procurement, develop a new fighter with maybe longer range that could operate in these kinds of environments. But what you give up is the ability to meet combatant command commitments in the near term.

Kathleen Hicks: Right. And so just to sort of pull that thread, Jen, I had not heard it called strategic reset of the service. I think that’s a much better frame than the classic capability versus capacity or posture versus presence or whatever that people tend to use. I think that makes a lot of sense. But that’s in fact what we’re talking about here, right? We’re talking about the demand signal, as Mark said, from the day to day being turned down, if you will, very intentionally in order to allow the services to invest themselves, not only in the readiness of their forces for today, but in that long term readiness for the future.

Jen Stewart: Yes. And again, the danger here is to make sure that we don’t fall into the trap of a pendulum swing.

Kathleen Hicks: Yes.

Jen Stewart: Right? We’ve had the opportunity over the last 18 years to watch what happens when we swing one way, and now is an opportunity to test ourselves to see if we have discipline to balance it correctly. And that’s where I expect you’re going to see Capitol Hill doing our best to try and balance that.

Thomas Mahnken: Yeah. So I think, to my mind, the key to avoiding that pendulum swing is some sort of a high, low mix. It’s not abandoning one or the other. It’s not replacing all one bets in one pot or another, but it’s got to be some sort of a high, low mix. We can’t abandon our current commitments, but we do need ways of carrying out those commitments in a much more sustainable, much more economical manner. At the same time, preparing for and planning for the much greater demands of the future.

Kathleen Hicks: There has been this readiness recovery emphasis coming out post... Beginning of the Trump Administration with the increase in the defense budget. There is the rhetoric of the National Defense Strategy which shifts you, if you will, to a future focus and we’re sitting right now kind of on the cusp of these issues. How are they going to shift themselves from this emphasis they’ve had on readiness today toward this readiness for the competition of the future?
Mark Cancian: Well, I think in the last couple of years you've seen a lot of money in what I call the R & D [research and development] primordial soup. That is, a lot of prototyping, a lot of development, but no programs and what I would hope to see coming out FY21, are some specific programs that will take this R & D and start implementing this new modernization strategy.

Thomas Mahnken: I'll take that in a, I think a complimentary way, which is, what I'd like to see is some candidates for... Candidate concepts and also candidate capabilities for solving or dealing with the strategic and operational challenges that we face. So what are going to be the candidate concepts for dealing with hostile, anti-access capabilities. What are they going to be the concepts, the capabilities, to be able to defend forward basis and forward allies. And I think, with those concepts in mind, that's what tells you which of these R & D projects or these small scale projects actually should be taken forward and which shouldn't.

Jen Stewart: What I’m looking for Kath, is if you step back and look at the NSS, the NDS and the NMS, all those documents were produced by leaders who are no longer in their positions. And so looking for strategic continuity and the FY21 budget, and being able to map the strategic vision to the lines of efforts that my colleagues just now mentioned, is going to be the critical area that we’re going to be looking at. Which sounds very obvious, but it’s not.

Kathleen Hicks: Well, just to push on that point, we had at the time, Deputy Secretary [of Defense] Shanahan had said the FY2020 budget would be the masterpiece budget, I’m sure to his ever-living regret that he said that. But his point in saying that was it was in the FY20 budget that she would get to see this knitting, as you describe it, from the goals of the strategy down through the capabilities they would invest in. I think everyone would probably agree, we didn’t quite see that in FY20, and so your point I think is we should see that in FY21 or we would hope to see that in FY21?

Jen Stewart: Yes.

Kathleen Hicks: Yeah. Okay. So let's talk about the innovation piece of this, the modernization piece of this and this would include the nuclear modernization piece as you think through this. There's sort of the questions around the enterprise and its functioning, how well designed and capable DOD is at this point to do what Tom suggested, which is to have candidate concepts that are... Can be actualized through experimentation exercises, capability, and then there's the it. What is it that we should be investing in and I would love for you all to take a stab at both of those really giant questions, and just try to pick out what you would want to see as the best possible outcome on the enterprise solution set of how we can tell the department is moving this culture, whether it's toward the futurist as Mark described it, or just simply getting better at its traditionalist approach. And then what are the kinds of capabilities that you hope to see that investment?
Mark Cancian: The Navy, I think has taken a very good approach to putting some new systems out there for their naval systems. They’re going to build two unmanned surface ships a year for the next five years. Put them out in the fleet and see what happens, experiment with it, see if this is what they want for the long-term. But they’re putting a capability out there and I think all the services need to do more of that and they should not do what the Marine Corps is doing with it’s UAV’s [unmanned aerial vehicle], that is, do years and years of studies, do a little experimentation and wait until 2025 before getting a capability out there.

Kathleen Hicks: So you're hoping you'll see more of that kind of rapid fielding, prototyping, moving things to the force?

Mark Cancian: Exactly.

Kathleen Hicks: Yeah. Okay. Tom?

Thomas Mahnken: I think experimentation is good. I think more experimentation is better. I think that the services have a decidedly mixed track record when it comes to experimenting with, and then fielding in new capabilities. I think the Navy’s experience with unmanned strike capabilities off of carrier decks is still I think a salutatory case that we should all keep in mind. But I do think experimentation is right, but it needs to be with a sense of urgency, experimentation to validate requirements and to acquire new capabilities. And I think with that needs to go a greater tolerance for risk, and that’s risk among DOD leaders but also an acceptance of risk and the acceptance of failure on Congress’ as part as well.

Kathleen Hicks: What about some of the capability areas you want to see highlighted? Mark’s already mentioned unmanned. Are there others that you think are particularly worthy of further investment?

Thomas Mahnken: Yeah, I mean I would agree with Mark on unmanned, I think directed energy is another area, certainly networking and kind of all of its manifestations including the use of AI [artificial intelligence] for networking, and in terms of functional areas, I think, precision-strike, precision-fires, land-based sea denial. I think those are all kind of areas that have a lot of importance and really need to be accelerated.

Jen Stewart: I would like to take it to the next level. One of the areas we’re looking at is how do you provide a strategic framework to make sure that we’re not just doing things to do it. So one of the areas that’s a nascent conversation on the Hill, but we want to mature it further is how do you tie it to con-ops?

Kathleen Hicks: And what are your thoughts at this point on where the department is having some trouble on that account?
Jen Stewart: I think we’re having really good conversations on an individualized basis with each of the services, but that joint piece is something that we’re hoping to take to the next level of conversation.

Kathleen Hicks: Bless you, Jen and I did not pay you to say that, which is a big issue for me. Okay. So, I do want to get to the issue of the [Department of Defense] audit because this, it’s taken on sort of a life of its own, if you will, in terms of the degree to which having a strong audit shows. I think back to connecting the American people to defense, that there is a sense of understanding of what’s in the budget, but let’s kind of broaden it out to general approaches to how you drive out excess waste, inefficiency from DOD and where are the go-to places, how does the audit sit inside that and where are some other go-to places?

Mark Cancian: I think the audit is one of the most misunderstood areas in defense. A lot of people have this expectation that when the audit is completed, the department will have turned over all these stones and found billions of dollars of savings. Audits don’t do that. Audits tell you whether the money was spent in accordance with regulation and statute, so to take, for example, the F-35, a lot of people believe that an audit will tell you the F-35 is not needed, that it’s too expensive, that you need alternatives.

Mark Cancian: Nothing of the sort, an audit will tell you whether the money that was spent on the F-35 was in fact actually expended for the items of F-35 that are allowed. Where you can’t get some savings is by looking at various management reforms or a number of them where you could look at. The problem is that outside has always believed that the Defense Department is full of waste. Trump believe that. You hear that on the campaign trail. Then when they get in to power, they find that there were lots of trade-offs. What I tell people is, BRAC [Base Realignment and Closure] base closure is the easiest of the management reforms and it gets harder from there. And of course the congress has refused to do BRAC, so there are real opportunities, but you have to expend political capital to get them.

Kathleen Hicks: Jen, what are the prospects of some major politically challenging efficiencies efforts happening this year in an election year on the Hill?

Jen Stewart: Hard but not impossible. I agree with what Mark said, but I’d like to go a step further and say, and he talked about it, but the way I frame it is, we need to guard the reputation of the building and how it spends its money. This ties back to all the questions you’ve been asking about what is the politically sustainable level of funding for the department? And it’s beyond that number. It’s, do the American people have confidence in our business systems and processes, our 21st century and not industrial age?

Jen Stewart: Are we getting those services to the war fighter in the manner that we need them to? And do we have resiliency in those business systems and processes? An example is when Mr. Norquist keeps talking about the cybersecurity aspect of it and so those are areas that we need to focus on,
but just the plug is, we are looking at trying to find baseline savings across the DOD enterprise to figure out how to reinvest those resources back into the department. But it goes beyond that. It goes to how you reinvest those back, not just priorities but the processes and systems in place to do that.

Kathleen Hicks: And I don’t want to leave without offering you the opportunity to talk about particular areas, if you so choose, where you think the Republicans on the Hill want to see a push in terms of capability, investment.

Jen Stewart: AI, cyberspace, the word that didn’t come up from my colleagues is distributed. Areas of resiliency are areas that I would just amplify in addition to what my colleagues mentioned.

Kathleen Hicks: Great. And Mark, you specifically mentioned nuclear modernization, so I do want to give you an opportunity and any others at the table to talk about that before we wrap here.

Mark Cancian: This is one of those areas where you do see a divide between the parties and where I think it will come up in the presidential campaign. Republicans, [the Trump] administration put out its Nuclear Posture Review, broad modernization program, mostly built on what Obama had already put in place, but goes beyond that in a couple of places. I think in those places particularly where it goes beyond the Obama program, for example, a low yield nuclear weapon and for a long range nuclear cruise missile that you see opposition from the Democrats and I think that will continue.

Thomas Mahnken: I think the nation’s nuclear force has served us well, maybe too well, and too long. Certainly, the forces we have today were not designed to be in active service as long as they have been. Need modernization, and unfortunately, that bill for modernization, long differed across administrations, is coming due now at the same time other bills for conventional modernization are also due. But still, I think we need the nuclear deterrent, we need the nuclear force and the alternative to modernization is ultimately unilateral disarmament. I don’t think that’s desirable.

Jen Stewart: This is the foundation of our deterrence and we don’t have unanimity across the Congress, but there is a bipartisan core that understands it’s our fault we delay these bills, and we need to pay them now because it’s just going to continue to compound if we don’t.

Kathleen Hicks: Jen Stewart, Tom Mahnken, Mark Cancian, thanks so much for joining me today. On behalf of CSIS, I’d like to thank our sponsors, BAE Systems, Lockheed Martin, Northrop Grumman, and the Thales Group, for contributing to Defense 2020. If you enjoyed this podcast, check out some of our other CSIS podcasts, including Smart Women Smart Power, The Truth of the Matter, The Asia Chessboard, and more. You can listen to them all on major streaming platforms like iTunes and Spotify. Visit csis.org/podcasts to see our full catalog and for all of CSIS’s defense related content, visit defense360.csis.org.