

Stenographic Transcript
Before the

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY THE DEFENSE BUDGET FOR FISCAL
YEAR 2018 AND ONWARDS

Tuesday, January 24, 2017

Washington, D.C.

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1 HEARING TO RECEIVE TESTIMONY ON
2 THE DEFENSE BUDGET
3 FOR FISCAL YEAR 2018 AND ONWARDS
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5 Tuesday, January 24, 2017
6

7 U.S. Senate
8 Committee on Armed Services
9 Washington, D.C.
10

11 The committee met, pursuant to notice, at 9:30.m. in
12 Room SH-216, Hart Senate Office Building, Hon. John McCain,
13 chairman of the committee, presiding.

14 Committee Members Present: Senators McCain
15 [presiding], Inhofe, Wicker, Fischer, Cotton, Rounds, Ernst,
16 Tillis, Sullivan, Perdue, Sasse, Reed, Shaheen, Gillibrand,
17 Blumenthal, Donnelly, Hirono, Kaine, King, Heinrich, Warren,
18 and Peters.
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1 OPENING STATEMENT OF HON. JOHN McCAIN, U.S. SENATOR
2 FROM ARIZONA

3 Chairman McCain: Good morning.

4 The Armed Services Committee meets this morning to
5 receive testimony on the defense budget for fiscal year 2018
6 and beyond.

7 I would like to welcome our witnesses: Dakota Wood,
8 Senior Research Fellow for Defense Programs at The Heritage
9 Foundation; Dr. Thomas Mahnken, President and CEO of the
10 Center for Strategic and Budgetary Assessments; and Dr.
11 Lawrence Korb, Senior Fellow at the Center for American
12 Progress.

13 As President Trump assumes the awesome responsibilities
14 of his office, he has inherited a world on fire and a U.S.
15 military weakened by years of senseless budget cuts. I am
16 encouraged that he recognizes these problems. In fact, the
17 White House website now features President Trump's promise
18 to, quote, end the defense sequester and, quote, rebuild our
19 military. I know the President will find many allies on
20 this committee who share these goals.

21 The world order that America has led for 7 decades,
22 which has benefited our people most of all, is now under
23 unprecedented strain. We have entered a new era of great
24 power competition even as we continue to face an enduring
25 global conflict against violent Islamic extremist groups.

1 Too many Americans seem to have forgotten that our world
2 order is not self-sustaining. Too many have forgotten that
3 while the threats we face may not have purely military
4 solutions, they all have military dimensions. In fact, too
5 many have forgotten that hard power matters. It is what
6 gives our Nation leverage to deter aggression and achieve
7 peace through strength.

8 The epitome of this forgetfulness is the Budget Control
9 Act of 2011, which cut and arbitrarily capped defense
10 spending for a decade. At a time of growing threats, this
11 law led to a 21 percent reduction to the defense budget from
12 2010 to 2014. Across the board, the military got smaller
13 and, worse, less capable. Critical investments in new
14 technologies were deferred, which helped adversaries like
15 Russia and China to close the gap. At the same time, the
16 combination of rising threats, declining budgets, aging
17 equipment, shrinking forces and high operational tempo
18 produced a military readiness crisis. In other words,
19 President Trump is now Commander-in-Chief of a military that
20 is underfunded, undersized, and unready to meet the diverse
21 and complex array of threats confronting our Nation.

22 That is why every member of the Joint Chiefs of Staff
23 has testified to our committees that years of budget cuts
24 have placed the lives of the men and women of our armed
25 forces at greater risk.

1 Despite the damage done to our military over the last
2 several years, there are still those that argue we should
3 not be so concerned. They say America's military is still
4 the greatest fighting force ever known, that our military
5 capabilities are still, quote, awesome, that we spend so
6 much more than Russia or China or that we spend roughly the
7 same amount as we did during the Cold War.

8 True as these statements may be, they say little or
9 nothing about whether our military can achieve the missions
10 assigned to them and at what cost. In fact, the testimony
11 of our military leaders in open hearings and closed
12 briefings leads me to believe there is real reason for
13 concern. We do not fight wars by comparing budgets. That
14 is why this kind of happy talk is not just unhelpful, it is
15 dangerous. It breeds the kind of complacency we cannot
16 afford with the world on fire.

17 It is time to change course on America's defense
18 budget. We have to invest in the modern capabilities
19 necessary for the new realities of deterring conflict. Our
20 adversaries have gone to school on the American way of war,
21 and they are investing heavily in advanced capabilities to
22 counter it. After years of taking our military advantage
23 for granted, we are now at serious risk of losing it. We
24 cannot just by a bigger version of the military that won the
25 Gulf War 25 years ago. We have to invest in the new

1 technologies and capabilities that will allow our military
2 to prevail in a conflict 25 years in the future.

3 We also have to regain capacity for our military. Put
4 simply, our military today is too small. It does not have
5 enough ships, aircraft, vehicles, munitions, equipment, and
6 personnel to perform its current missions at acceptable
7 levels of risk. Adding capacity alone is not the answer and
8 any capacity that we do add must be done deliberately and
9 sustainably. But add we must.

10 Of course, rebuilding our military must be done
11 smartly. We must seek to make our military better not just
12 bigger. We must continue our reform efforts to make the
13 Department of Defense more effective and efficient, while
14 cutting wasteful spending.

15 We must also be clear about the challenge of rebuilding
16 America's military will not be cheap. In my estimation, our
17 military requires a base defense budget for fiscal year
18 2018, excluding current war costs, of \$640 billion, which is
19 \$54 billion above current plans and sustained growth for
20 years thereafter. It will not happen overnight. The harm
21 done to our military over the past 8 years will not be
22 reversed quickly. The longer that we wait, the worse it
23 will get and the longer it will take to fix it.

24 And it will not be easy. Rebuilding America's military
25 will require spending political capital and making policy

1 tradeoffs. That is why national defense must be a political
2 priority on par with repealing and replacing Obamacare,
3 rebuilding infrastructure, and reforming the tax code,
4 indeed, more so because national defense is job one for the
5 Federal Government.

6 None of these challenges should obscure the fact that
7 rebuilding America's military is the right and necessary
8 thing to do.

9 I look forward to the testimony of our witnesses on the
10 way forward.

11 Senator Reed?

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1 STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE
2 ISLAND

3 Senator Reed: Well, thank you very much, Mr. Chairman,
4 for holding this hearing to consider funding levels for the
5 Department of Defense and to maintain our Nation's military
6 forces.

7 And I welcome our distinguished witnesses this morning.
8 Thank you, gentlemen, and I look forward to your testimony.

9 Last week, Chairman McCain issued a white paper
10 detailing his spending priorities for the new fiscal year
11 and beyond. As this committee begins its work on the
12 defense authorization process, the chairman's proposal
13 includes many policy objectives that deserve capital
14 consideration by this committee.

15 And in addition to the chairman's budget proposal, the
16 committee will also be considering the upcoming fiscal year
17 2018 budget request that will be submitted by the Trump
18 administration. President Trump has stated repeatedly that
19 he will focus on rebuilding our Nation's military, but there
20 have been few specific details on what that will include.

21 Furthermore, as this committee has done in the past, we
22 will have several posture hearings with senior civilian and
23 military leadership to hear directly from the Department
24 regarding their resource requirements.

25 Finally, like today, we will have hearings with outside

1 defense experts that will help provide an alternative view
2 for this committee to consider.

3 I am very proud that this committee has always worked
4 in a bipartisan fashion during this process, and I look
5 forward to working with the committee and the chairman and
6 all that are here to continue that process.

7 And while there has been a change in administration and
8 administration priorities, this committee is still governed
9 by the funding constraints enacted under the Budget Control
10 Act, the BCA. President Trump has stated that he will end
11 the defense sequester. But as my colleagues on this
12 committee are acutely aware, current law restricts both
13 defense and non-defense spending. Many of my colleagues
14 will maintain that the defense bill is not a vehicle to
15 discuss the fate of domestic spending. However, for the
16 past several years, I have argued that when it comes to
17 questions of adequate funding, we need to consider all of
18 the security responsibilities of our Nation not just those
19 that are executed by the Department of Defense.

20 For example, as numerous witnesses have testified over
21 the years, our Nation's fight against ISIL consists of nine
22 lines of effort, only two of which are controlled by the
23 Department of Defense. Increasing the BCA caps for DOD
24 alone will not support the State Department's diplomatic
25 engagement with the Government of Iraq. It will not support

1 State and USAID's delivery of humanitarian aid to refugees
2 and displaced persons. It will not support the Treasury
3 Department's disruption of ISIL finances, and it will not
4 support Department of Homeland Security, the FBI, and the
5 Justice Department in their efforts to protect the homeland
6 by thwarting terrorist threats.

7 I would further argue that protecting our country goes
8 beyond funding our national security agencies alone.
9 Domestic agencies need funding to ensure the resiliency of
10 our electrical grid, the safety of our food, water, and
11 medicine, and the protection of all of our cyber networks.
12 From those that regulate dams to those that are used during
13 our elections, the cyber infrastructure is critical to the
14 country and is not within the strict purview of national
15 security agencies.

16 One of the military and diplomatic tenets of combating
17 extremism is to provide the populations with security and
18 basic needs. But while we help the Afghans build roads,
19 schools, and clean drinking water systems for the villages,
20 I believe we should do the same for the American population.

21 While we are deploying troops to Poland and Eastern
22 Europe to support our NATO allies against aggressive Soviet
23 actions, we also need to provide the funding necessary so
24 that Americans feel safe in their neighborhoods and on their
25 computers.

1 As we examine what funding requirements are necessary
2 to the safety and security of our country, we need to look
3 at our federal budget in a much broader context recognizing
4 our strength also depends on the health of our economy,
5 reliability of civilian institutions, our scientific
6 preeminence, and the health and education of our citizens.

7 The BCA delineation between defense and non-defense
8 spending has had the unfortunate effect of pitting each
9 category of funding against the other. Instead, we would be
10 better served if we considered the needs of our Nation
11 holistically.

12 I would also like to note that President Trump has not
13 provided many details on what our defense posture will be
14 under his administration. He has stated that eliminating
15 ISIL is his top national security priority, which is a
16 continuation of present policy. However, other public
17 statements, from calling NATO obsolete to developing closer
18 relations with Russia, could counteract that goal and
19 suggest a critical program such as the European Reassurance
20 Initiative may be rolled back or eliminated. Such policy
21 changes will have an effect on strategy, force structure,
22 and funding.

23 Therefore, as our witnesses discuss their
24 recommendations for military funding, I hope they frame
25 their proposals, first, in the larger context of what they

1 believe American strategy should be and, second, what force
2 structure will be necessary to achieve the specific goal of
3 that strategy.

4 Finally, like Chairman McCain, I believe it is time to
5 repeal the BCA's arbitrary spending caps. The BCA has not
6 made this country safer and it has not resolved our fiscal
7 challenges.

8 Likewise, I am deeply concerned that the Trump
9 administration plans to pursue massive tax cuts for
10 corporations and the well-off while simultaneously seeking
11 to increase military spending without working to develop any
12 new revenue that we need to invest in our country. It could
13 lead us into a situation where the deficit becomes
14 significantly encumbering of our whole economy.

15 Let me be clear. I am not opposed to increasing
16 military spending. In fact, I think we have got to do it.
17 But it is the duty of the committee to carefully review the
18 proposals to ensure the men and women we are sending into
19 harm's way have the resources necessary to complete their
20 mission and return home safely. And it is a duty we all
21 take very seriously here. We have to act responsibly in
22 terms of the Nation's entire fiscal health.

23 And I look forward to our testimony today and to
24 continuing this important work with the chairman. Thank
25 you.

1 Chairman McCain: Mr. Wood? Welcome to the witnesses.

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1 STATEMENT OF DAKOTA L. WOOD, SENIOR RESEARCH FELLOW
2 FOR DEFENSE PROGRAMS, THE HERITAGE FOUNDATION

3 Mr. Wood: Thank you, Mr. Chairman. Chairman McCain,
4 Ranking Member Reed, distinguished members of the committee,
5 I deeply appreciate your invitation to appear before you
6 today to discuss the defense budget for fiscal year 2018.

7 The views I express in this testimony are my own and
8 should not be construed as representing any official
9 position of The Heritage Foundation where I am a senior
10 fellow.

11 This committee has already fully explored defense
12 budget cuts in real terms over the last several years, so I
13 do not think it worth this committee's important time for me
14 to dwell on the details of that topic. The military service
15 chiefs have repeatedly testified before you describing the
16 condition of their services, how budget cuts and sustained
17 high operational tempo have affected them, the challenges of
18 carrying out their mission in such a budget-constrained
19 environment, and their forecasts of the future condition of
20 the services if current trends are not altered.

21 The military budget was certainly increased following
22 the attacks of September 11, 2001, but those increases were
23 immediately consumed by the operations in Afghanistan, Iraq,
24 and elsewhere. What was not addressed was the baseline
25 force and all the things that make it possible to organize,

1 equip, train, deploy, and sustain combat power.

2 As Chairman McCain has noted in his just-released white
3 paper, the combined effects of nearly \$1.5 trillion of cuts
4 over a decade have been devastating to our military. It
5 seems odd since we spend more than \$600 billion each year on
6 defense, and the military appears to do what is asked of it.
7 But the military's dedication to accomplishing the current
8 mission has come at a substantial cost and there is an
9 increasingly worrisome cost to the Nation in strategic
10 terms. To sustain current operational readiness for
11 deployed forces, all of the services have sacrificed
12 readiness and capability in all other areas of military
13 affairs, to include preparing for the future.

14 For reasons already well known to this committee,
15 Congress has been unwilling to make investing in the defense
16 of the United States and its interests a high enough
17 priority among the many competing interests within the
18 federal budget. Consequently, defense spending has steadily
19 declined since the end of the Cold War to a point of
20 historic lows for the modern era.

21 Rather than rehash budgetary details, I would like to
22 share some thoughts on what the fiscal year 2018 budget
23 represents for the United States, its friends and
24 competitors, and those sitting on the fence somewhere in
25 between.

1 The news has certainly been awash in reports of
2 degraded unit and material readiness: ships unable to get
3 underway, aviation mishaps, ground combat units that are
4 under-strength, at low levels of readiness, and so few in
5 number that service members and their families are being
6 worn out as quickly as their equipment.

7 Both our friends and our enemies can count the number
8 of units, squadrons, and ships the U.S. maintains abroad.
9 They pay close attention to service testimony that has
10 increasingly highlighted growing risk in the military's
11 ability to perform its functions. They read the same
12 headlines and watch the same news programs we do reporting
13 the consistent message of a U.S. military that is under-
14 strength, aging, and challenged to defend U.S. interests at
15 an acceptable level of risk. And they track the reports of
16 problematic acquisition and modernization programs stemming
17 from poor program management but also the now routine
18 shortage and variability of funds that has driven the
19 military to be smaller, older, and less ready than at any
20 time since the 1930s.

21 A robust investment in defense, via the fiscal year
22 2018 budget, will not only be an important first step in
23 rebuilding the U.S. military, but it will also send a
24 profoundly important message to the rest of the world that
25 America is once again serious about protecting itself and

1 its interests, standing with those who choose to align with
2 it in common cause, and to serve as a bulwark against forces
3 of disorder.

4 It is not a matter of figuring out what problems need
5 to be addressed or where additional funds can be best spent
6 or savings obtained. My personal observation is that the
7 military services have done this analysis. They know what
8 they need and have prioritized those needs for every
9 additional dollar that might be provided. In my judgment,
10 their analysis is, by and large, right on target.

11 What they fear is imbalance. They are concerned about
12 having too many people and too little equipment, or the
13 reverse: too much equipment and too few people. They
14 understand the difficulty of generating new units, the time
15 it takes not only for individuals and small units to become
16 tactically proficient, but also for commanders and staffs to
17 become operationally competent.

18 Stability is important in buying new equipment that is
19 critical to keeping the force relevant in future years,
20 while repairing aging equipment to keep it in the fight
21 until the new equipment arrives.

22 Stability over time is also essential to building and
23 maintaining a healthy and diverse industrial base that
24 enables the government to leverage competition to get the
25 best product at the best price. Highly constrained and

1 unpredictable budgets inevitably lead to consolidation in
2 the manufacturing sector, which results in fewer companies
3 able to produce the tools needed by our military. Sometimes
4 this leads to a single manufacturer, a government-driven
5 monopoly, if you will, that effectively eliminates the
6 government's ability to compete a project for best price and
7 innovation in design.

8 The point here is that the fiscal year 2018 budget
9 represents an absolutely critical opportunity for the United
10 States to tell itself and the world where its priorities are
11 and can serve as a much needed first step toward rebuilding
12 the military we need. It will put our potential adversaries
13 on notice that the U.S. intends to operate from the position
14 of strength, and it will give assurance to our allies that
15 we will fulfill our commitments to them.

16 Once again, I thank you for this opportunity to speak
17 about the health of our military, and I look forward to
18 answering your questions.

19 [The prepared statement of Mr. Wood follows:]

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1 Chairman McCain: Thank you.

2 Dr. Mahnken?

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1 STATEMENT OF DR. THOMAS G. MAHNKEN, PRESIDENT AND CEO,
2 CENTER FOR STRATEGIC AND BUDGETARY ASSESSMENTS

3 Dr. Mahnken: Thank you. Chairman McCain, Ranking
4 Member Reed, distinguished members of the committee, thank
5 you for this invitation to appear before you today to
6 discuss the defense budget for fiscal year 2018 and beyond.

7 Chairman McCain, at the outset, I would like to commend
8 you for "Restoring American Power." It was a thoughtful and
9 much needed contribution to the debate over defense strategy
10 and resources. CSBA's diagnosis of the situation and
11 recommendations accord with those detailed in the paper in
12 many respects.

13 Now, the bottom line that I have for you today is that
14 the United States requires more resources for defense if we
15 are to continue to safeguard America's national interests in
16 an increasingly competitive environment. Specifically, in
17 my view, we need increased investment in both readiness and
18 modernization.

19 I had the pleasure of serving on the staff of both the
20 congressionally mandated 2010 Quadrennial Defense Review
21 Independent Panel and on the staff of the 2014 National
22 Defense Panel. Both of those bodies achieved a bipartisan
23 consensus that the Defense Department required additional
24 resources. 7 years on from the first and 3 years on from
25 the second, today's situation is even more dire.

1 First, as has already been noted, additional resources
2 are needed to restore the readiness of the U.S. armed
3 forces. And as Dakota said, I need not detail the path that
4 has gotten us here. You are aware of that, the
5 circumstances we are in today. It is worth emphasizing,
6 however, that our drawdown has occurred all the while the
7 United States has been at war in Iraq, in Afghanistan, and
8 across the world, a situation that is historically unusual,
9 to put it mildly.

10 Second, there is growing need to modernize U.S.
11 conventional and nuclear forces. 8 years ago, when I last
12 served in the Department of Defense as the Deputy Assistant
13 Secretary of Defense for Policy Planning, the risk calculus
14 was that we could afford to take some additional risk in
15 preparing for high-intensity war in order to focus on
16 counterinsurgency. As Secretary of Defense Gates frequently
17 put it, we needed to focus on the wars of the present rather
18 than the possible wars of the future.

19 8 years on, I believe the risk calculus has
20 fundamentally changed. Whereas we have spent the last 15
21 years focused on counterinsurgency, we are now in a period
22 characterized by the reality of great-power competition and
23 the increasing possibility of great-power conflict. We see
24 China and Russia acting aggressively both in their own
25 regions, as well as beyond them. China is busy remaking the

1 geography of the western Pacific, but is also increasingly
2 active elsewhere. Russia has not only used force against
3 Georgia and Ukraine and threatened other neighbors, but is
4 also waging a high-intensity military campaign in Syria.
5 Moreover, both China and Russia have been investing in
6 military capabilities that threaten America's longstanding
7 dominance in high-end warfare. And we have given them a
8 decade and a half to catch up.

9 In other words, the wars of the future may no longer
10 lie that far in the future. Moreover, they are likely to
11 differ considerably both from the great-power wars of the
12 past, as well as the campaigns that we have been waging
13 since the turn of the millennium.

14 That is not to say that battling radical Islam will not
15 continue to be a priority. However, it has been the focus
16 of U.S. investment over the last decade and a half. By
17 contrast, we have neglected the capabilities needed to deter
18 and, if necessary, wage high-end warfare.

19 And that includes our nuclear deterrent. Historically,
20 when the United States has drawn down its conventional
21 forces, as it did in the 1950s and after the Vietnam War, we
22 came to rely increasingly on our nuclear deterrent. In
23 recent years, by contrast, we have both drawn down our
24 conventional forces and our nuclear forces. Now both
25 require modernization.

1 Needless to say, the tasks of improving readiness and
2 modernizing the force will require additional resources
3 beyond those permitted by the Budget Control Act.

4 In closing, as we seek to rebuild American military
5 power, we need to keep a couple of things in mind.

6 First, the Defense Department's capacity to absorb an
7 infusion of resources is limited. The Pentagon today is a
8 lot like a person who has been slowly starving for years.
9 There are limits to how effectively it can spend a large
10 infusion of cash.

11 Second, that which is available is not necessarily that
12 which is necessary. One byproduct of our neglect of
13 modernization over the past decade and a half is that there
14 are few programs that are ready right now to accept new
15 funds. And rebuilding the American military will take time.
16 To take but one example, achieving the 350-ship Navy that
17 President Trump has pledged to deliver, or the 355-ship
18 fleet that the Navy now says it needs, or the 340-so ship
19 fleet that CSBA believes the Nation needs cannot be
20 accomplished in 4 or 8 years. Our analysis, using the
21 Navy's own models, show that it is affordable, but making it
22 a reality will require a sustained commitment on the part of
23 the executive and legislative branches.

24 The capabilities that the United States needs to remain
25 dominant on the land and in the air against great-power

1 competitors will similarly take time to field. The
2 modernization of the U.S. nuclear deterrent will require
3 time to accomplish as well. Maintaining U.S. military
4 effectiveness over the long haul will, thus, require more
5 than a quick, though much needed infusion of cash in fiscal
6 year 2018. It will require sustained support for defense
7 investment in the years that follow.

8 Thank you, and I await your questions.

9 [The prepared statement of Dr. Mahnken follows:]

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Chairman McCain: Dr. Korb, welcome back.

1 STATEMENT OF DR. LAWRENCE J. KORB, SENIOR FELLOW,
2 CENTER FOR AMERICAN PROGRESS

3 Dr. Korb: It is nice to be here again, Senator. I was
4 trying to reflect about the first time I ever came before
5 this committee. I do not even remember how many years ago
6 it was.

7 Chairman McCain: It was during the Coolidge
8 administration.

9 [Laughter.]

10 Dr. Korb: If I can put my prepared statement in the
11 record.

12 Chairman McCain: Without objection.

13 Dr. Korb: And I will summarize it so we can move on to
14 the questions.

15 I think the first thing to keep in mind, when you are
16 deciding how much to spend on defense, is no matter how much
17 you spend, you cannot buy perfect security. There are
18 always going to be risks. From my own days in government
19 and in the military, a lot of people always complaining we
20 needed more money for something else.

21 Second is that it is not just the Department of Defense
22 that protects our national security. State Department, AID,
23 Homeland Security -- these are all part of it. And for
24 years, we urged -- we could never get any administration to
25 adopt it -- to have unified national security budget so we

1 could see all of these together.

2 The third thing is you cannot be strong abroad unless
3 you are strong at home. Go back and look at what Presidents
4 Truman and Eisenhower began talking about that you could not
5 just do one and not the other.

6 The next thing is no matter how much you spend on
7 defense, you need a strategy. I am not quite sure what the
8 new administration's strategy is. Does President Trump
9 believe, as Chairman Dunford said, that Russia is the
10 biggest threat? I am not quite sure.

11 And then finally, it is not just us. We have our
12 allies that we work with. So when we are talking about
13 dealing a threat, we have to take all that into account.

14 Now, people urging more money for defense usually make
15 two arguments. One is a share of the GDP should go to
16 defense. Well, again, I think that in fact if the threat
17 goes up and the GDP goes down, I would hope we would not be
18 bound by that. Or if the economy recovers more, as it has
19 under President Obama -- recovers very rapidly -- obviously,
20 the share of the GDP that he allocated to defense did go
21 down.

22 The second is -- and I am sure we will be talking about
23 it -- the current state of our military. As I mentioned in
24 my testimony, I was very impressed with the article that
25 General Petraeus and Mike O'Hanlon wrote in "Foreign

1 Policy," as well as their op-ed in the "Wall Street Journal"
2 last summer which in fact they said there is no procurement
3 holiday. Readiness is getting back to where it needs to be.

4 The next thing is that no doubt about the fact that the
5 Budget Control Act is not the way to run the government. We
6 all agree with that. But in terms of the caps put on,
7 remember, as a result of actions by the Congress, we have
8 given about \$100 billion in relief since that law was
9 passed. And also -- Senator McCain has mentioned this
10 several times -- the OCO budget has been used as a way to
11 get around the caps.

12 All right. Now, in conclusion, basically I do not
13 believe that the Department of Defense has a resource
14 problem. I think the resources, the \$620 billion that was
15 allocated in fiscal year 2017. I believe, as I point out,
16 that it has a management problem.

17 I was appalled when the Defense Business Board
18 recommended making \$125 billion in cuts over 5 years. And
19 the Pentagon tried to bury it. Had it not been for Bob
20 Woodward from Watergate fame, we would not even have known
21 about that. The cost growth in weapon systems, which GAO
22 has talked about, \$500 billion -- and I commend President
23 Trump for talking about the cost of the F-35, and I hope
24 that we can do something about that.

25 And, Senator McCain, I like the things in your

1 proposal, some things that we could do to save money.
2 Conventionally powered smaller aircraft carriers, cutting
3 down the buys of the F-35, substituting the F/A-18E's and
4 F's for some of the F-35's for the Navy.

5 And then finally -- and I would urge the committee to
6 take a good look at what former Secretary of Defense Perry
7 and General Cartwright have said about the nuclear
8 modernization program, particularly when it comes to the
9 air-launched cruise missile. And I noticed Secretary
10 General Mattis expressed some concerns about that in his
11 confirmation hearing. So the land-based and the air-
12 launched cruise missile.

13 And then finally, if you decide to raise defense
14 spending, as recommended by President Trump and the campaign
15 -- and, Senator McCain, I ask you to consider how are you
16 going to pay for it. Do not take it from other things that
17 make this country strong. One, the debt and then, of
18 course, funding for our programs, the infrastructure,
19 education, climate change, all of these things.

20 Thank you very much.

21 [The prepared statement of Dr. Korb follows:]

22

23

24

25

1 Chairman McCain: Thank you, Dr. Korb. I just would
2 like to point out that over the last 8 years, defense
3 spending, OCO and everything included, has declined by some
4 21 percent. I do not believe that most observers would
5 agree that America is 21 percent safer.

6 You mentioned President Truman, and I am a great
7 admirer of President Truman. But it is a fact that we were
8 not ready when the Korean War took place. In fact, we were
9 not only not ready, we sacrificed so many brave young people
10 who simply did not have the ability to counter the North
11 Korean attack.

12 And then, of course, we get back into the 1970s after
13 the Vietnam War when the Chief of Staff of the United States
14 Army, General Meyer, testified before this committee that we
15 had a hollow Army.

16 Well, our uniform military today are testifying before
17 this committee that we are putting the men and women in
18 uniform at greater risk. That is the opinion of those who
19 we ask to lead the uniformed military. That should disturb
20 all of us. It is our young men and women who are now
21 serving in uniform in harm's way, and if their leaders say
22 that their lives are at greater risk, we should be taking
23 whatever steps we can to make sure that their lives are at
24 less risk. And that means, in my view, first of all,
25 repealing this mindless sequestration.

1 And I do agree with you, Dr. Korb. There are other
2 areas of national defense. Homeland Security is a major
3 one. CIA, all of these other agencies that are not strictly
4 defense, particularly in this new kind of warfare that we
5 seem to be engaged in, which I guess brings me to my
6 question.

7 We will begin with you, Mr. Wood, and this may be a
8 little bit generally. But we have a new President, and
9 there are conflicting statements being made. This new
10 President has said he wants to rebuild the military. Yet,
11 at the same time, he says he wants better relations somehow
12 with Vladimir Putin. At the same time, I think most of us
13 -- I think all of us -- would agree we have an outstanding
14 national security team and one that has gotten near
15 unanimous agreement of Members on both sides of the aisle.
16 So here we are in a very interesting time, which is one of
17 the reasons why we had this hearing.

18 So beginning with you, Mr. Wood, what would you
19 recommend to the President as a correct defense strategy?

20 Mr. Wood: Well, I do not think there are internal
21 inconsistencies or contradictions. I mean, we think back to
22 the Cold War -- you are very familiar with that -- that even
23 while we tried to maintain a very forceful posture
24 militarily -- NATO was certainly there on the inner German
25 border across from Warsaw Pact countries -- you still had

1 open lines of communication with Moscow. So I think we
2 should always be striving to do things diplomatically,
3 economic initiatives, those sorts of things to lessen the
4 chance of war.

5 Chairman McCain: But I would also remind you that the
6 first thing -- the first thing -- that President Reagan --
7 his first priority was rebuilding the military.

8 Mr. Wood: Absolutely. And so along with that, that
9 does not mean that you keep your military depressed. The
10 economic and the diplomatic initiatives are amplified. They
11 are made more effective by a strong military posture. And
12 so where we have declined in that regard, our words are
13 taken much less seriously in capitals around the world both
14 by competitors in Moscow and Beijing and Tehran, but also by
15 our own allies. So I think rebuilding the military is the
16 first step to making more effective the diplomatic and
17 economic levers that we would have in other areas.

18 Chairman McCain: Dr. Mahnken?

19 Dr. Mahnken: Mr. Chairman, several things.

20 I think we need a truly global strategy. We are the
21 world's only global power, but at the same time, we also
22 deal with competitors in different regions and beyond. So
23 we need a global strategy that also deals with regional
24 challenges. I think the new administration is going to have
25 to make up its mind as to which of the challenges deserve

1 the greatest attention and which lesser attention. I tend
2 to believe that great-power challengers such as China and
3 Russia really do deserve the greatest attention, and then we
4 should stress test our capabilities and our force against
5 regional challengers such as North Korea and Iran, all the
6 time acknowledging the need to continue the campaign against
7 ISIL and Al Qaeda.

8 Chairman McCain: Dr. Korb, which would be not only
9 your view on the strategy but of priorities?

10 Dr. Korb: Well, I think the two biggest challenges we
11 face are Russia and China. And I think President Obama's
12 European Reassurance Initiative is the way to go, and I
13 agree with President Trump and also the last four
14 Secretaries of Defense that told NATO that you have to step
15 up more to be able to deal with it and I think we are.

16 And I think President Obama's rebalance to the Pacific
17 showed that China is a much bigger threat to the U.S. than
18 what is happening in the Middle East. And I think we need
19 to add more ships to the Navy. I think your suggestion
20 about 18 more ships I think would be good over the next 5
21 years, and also stopping the littoral combat ship and
22 getting these smaller aircraft carriers would be a way to
23 have the presence.

24 I think that basically we ought to not just use
25 military power but economic. I think the sanctions were the

1 way to handle what happened in Crimea. They are beginning
2 to have an impact. The Russian military budget is going
3 down. President Putin has had to back off from his
4 modernization plan.

5 I think the way that we are fighting ISIS with the
6 other 60 countries in the coalition is the way to deal with
7 it.

8 I think that the sanctions brought Iran to the table.
9 Now, we can debate whether that was a good deal or not, but
10 the fact of the matter is we did get a deal that is a step
11 in the right directions, and it was without military power.
12 So I think the economic thing.

13 And then finally, I think North Korea -- you are going
14 to have to work with China and the countries in the region.
15 I applaud the decision to put the THAAD missiles in South
16 Korea because that has got China's attention. They do not
17 like that. So hopefully they will do more to bring North
18 Korea to stop their provocative actions.

19 Chairman McCain: Thank you, Dr. Korb. You sound a bit
20 hawkish this morning.

21 [Laughter.]

22 Chairman McCain: Thank you. And I have enjoyed our
23 exchanges over the years, and I think you have contributed a
24 lot to the dialogue.

25 Senator Reed?

1 Senator Reed: Well, thank you, Mr. Chairman. And
2 thank you again for holding this hearing because this is
3 going to be one of the most significant issues we discuss
4 not just today but in the many, many months that follow.

5 Dr. Wood, the concept of national security extends
6 beyond the Department of Defense -- I think you would agree
7 with that -- so that any relief from the Budget Control Act
8 would logically have to extend to at least those agencies.
9 Is that your viewpoint?

10 Mr. Wood: Yes, Senator, it is. I mean, I think the
11 first and foremost responsibility of the Federal Government
12 is to provide for the security of the United States. Other
13 things that it does oftentimes overlaps with what can be
14 done at the State and local community, religious group types
15 of levels. So where you see 70-plus percent of the federal
16 budget dedicated to social and economic programs and an
17 increasingly smaller percentage dedicated to defense, I
18 think priorities are out of whack there. So I agree
19 completely with my fellow panelists and with yourself that
20 the intelligence community, Homeland Security, activities of
21 the Coast Guard, all those things contribute to the
22 security, and that should be taken in total, not the Defense
23 Department specifically as some exclusionary account.

24 Senator Reed: And, Dr. Mahnken, your sense?

25 Dr. Mahnken: Look, I would agree that national

1 security is more than Defense, and in recent years, because
2 of the incapacity of other parts of the national security
3 community, the Defense Department has been forced to step
4 in, whether it was after Katrina or in other circumstances.
5 And I would also say that unless DOD and the U.S. armed
6 forces excel at their core mission of fighting and winning
7 the Nation's wars, nobody else is going to be able to do
8 that. But with that in mind, I absolutely agree.

9 Senator Reed: Dr. Korb, I think you have said you
10 agree.

11 Dr. Korb: I can agree with you. I agree with you 100
12 percent. I think we have got to have a unified national
13 security budget. Whatever amount you decide to spend on the
14 Department of Defense, the Homeland Security, the State
15 Department, AID, we have got to look at it together so we
16 can make some tradeoffs to make sure that things that we
17 would like to do are more important for Homeland Security
18 than the military because there is never going to be enough
19 money to buy perfect security. It is always going to be
20 limited. And so I think, therefore, you need to make these
21 particular tradeoffs.

22 The budget, for example, for the State Department and
23 AID together is about \$50 billion. Okay. We have got more
24 people in the military bands than in the Foreign Service.
25 Is that really the way that we want to do things? Those are

1 the things I think we need to take a look at.

2 Senator Reed: I can recall listening several years ago
3 to the Chairman of the Joint Chiefs of Staff saying that the
4 number one national security problem was the deficit. And I
5 am just trying to do the math in my head. If we
6 significantly increase military spending, if we
7 significantly invest in infrastructure, which is one of the
8 commitments both sides made during the election campaign,
9 and then we cut taxes, there is a strong argument that we
10 are going to have significant deficit repercussions. How do
11 we avoid that other than by trying to find revenue?

12 Mr. Wood: Well, again, I think it is reassessing what
13 your priorities are in terms of what the Federal Government
14 is supposed to be doing and where it decides to spend its
15 money. So this issue of debt, inflation, economic trend
16 lines has been appreciated by every President that I can
17 think of. Eisenhower made a great argument about the
18 devastating impact of inflation on the U.S. citizen. So it
19 is not really a matter of decreasing defense spending or
20 defense spending at the expense of the intel community, it
21 is really about what is the priority of the Federal
22 Government and how does it choose to spend the taxpayer
23 monies that are provided to it. And to the extent that it
24 takes risk in security for the country and its citizens and
25 our interests globally, that is a choice that Congress is

1 making and the President when he or she submits the budget.

2 Senator Reed: Dr. Mahnken, quickly.

3 Dr. Mahnken: No. Look, I would agree. Providing for
4 the common defense is one of the core functions of the
5 Federal Government. We can disagree about other functions,
6 but that is core.

7 Senator Reed: Dr. Korb?

8 Dr. Korb: I think one of the biggest mistakes we made
9 was when we went into Afghanistan and Iraq, we did not raise
10 taxes to pay for it. Those wars were fought on the credit
11 card, and that created some of the deficit problems that
12 Admiral Mullen was concerned about when he was on active
13 duty and since he has retired. Not only did we not raise
14 taxes, we cut them twice, and we are still paying for that.
15 The Brown University, the Watson Center in your State has
16 talked about the cost of these wars is going to be somewhere
17 between \$3 trillion and \$6 trillion that we did on the
18 credit card. So we need to understand that.

19 And if in fact we decide that the threats are
20 increasing and we need to rally the American people to spend
21 more, let us talk about ways in which we are going to pay
22 for it because I think that would get people much more
23 involved. You may remember that in Vietnam when Wilbur
24 Mills got Lyndon Johnson to put a surtax on, that got
25 people's attention about what was happening there.

1 Senator Reed: Thank you.

2 Thank you, Mr. Chairman.

3 Chairman McCain: Senator Inhofe?

4 Senator Inhofe: Thank you, Mr. Chairman.

5 Dr. Korb, I observed the same thing the chairman did.

6 I am a little more hawkish. I was ready to talk and to kind
7 of pursue the statement in your written record that BCA caps
8 or sequestration have not constrained defense spending as
9 much as many assume. If you go back and you look at the
10 hearings that we have had before this committee in the last
11 couple years, without exception every combatant commander,
12 all the rest of them who have come before us have disagreed
13 with that statement. Did I understand this right?

14 Dr. Korb: What I was saying is that when people talk
15 about the BCA caps, they do not take into account the fact
16 that you have given them relief. I looked it up going back
17 to when it was passed. Roughly about \$20 billion a year
18 over the last 5 years. So that is about \$100 billion in
19 relief. For example, the budget in the NDAA this year was
20 roughly -- you added \$3 billion more to the number that you
21 had given last year.

22 And the other is -- and lots of people, including
23 Senator McCain, have pointed this out -- the OCO budget, or
24 the warfighting budget, has been used to get around it. The
25 best estimate by the DOD comptroller for fiscal year 2017 is

1 about \$30 billion. And so, therefore, when you say the BCA
2 cap was 500 or 50, or whatever it might be, by putting that
3 OCO money, you really got more for the base budget.

4 Senator Inhofe: Okay. I understand that.

5 And, Dr. Korb, you talked about -- you criticized the
6 percentage of GDP. When you just look at the raw figures
7 and you see that we are spending now 16 percent of our
8 defense spending -- on defense spending of our total budget,
9 and as recently as 1964, it was 52 percent -- I mean,
10 something has changed. We were wrong then or are we wrong
11 now? What do you think, Mr. Wood?

12 Mr. Wood: I think we need to fund defense commensurate
13 with our interests and challenges to those interests. So I
14 agree that there has been some relief given in BCA. The BCA
15 was never intended to provide adequate security. In fact,
16 it was the opposite. The Budget Control Act and
17 sequestration levels were meant to be so painful that it
18 would force the Super Committee to find \$1.2 trillion in
19 savings in other areas of the budget. So when that failed
20 and these painful cuts were enacted, it was supposed to be
21 painful, and we are seeing the consequences of that.

22 Further, the relief was not total relief from BCA cuts,
23 and it certainly does not account for the ongoing cost of
24 operations. So where things get worn out, blown up, people
25 are injured, you are using fuel and bombs and those kinds of

1 things, a marginal relief on a year-by-year basis does not
2 account for that. So I think the priorities are out of
3 whack.

4 Senator Inhofe: That is key right there because people
5 say, you know, where is it going to come from? Priorities.
6 I disagreed with -- I do not remember which one of you said
7 that it is an equal concern. I think defending America is
8 the number one concern. I mean, that is the way I have
9 always thought. In fact, the old measure that we should
10 size the posture and fund our military to fight and win two
11 major wars in different regions of the world near
12 simultaneously -- is that still a good idea? What do you
13 think, Dr. Mahnken?

14 Dr. Mahnken: I do because we always want to have that
15 margin of safety, and we also want to have that margin of
16 deterrence. I think unfortunately in the last Quadrennial
17 Defense Review, the previous administration walked away from
18 that two-war standard and I think that needs to be
19 reestablished.

20 Senator Inhofe: Yes, I think so. And during the last
21 administration, it was pretty well decided by the President
22 -- and a lot of the Democrats agreed with him -- that if you
23 address sequestration for the military, you have to do an
24 equal amount for the non-defense spending. And to me, that
25 tells me that that is not the priority. How did you

1 interpret that?

2 Mr. Wood: I agree. I think it was appealing to
3 various constituencies and your prioritizing spending in
4 other areas, social spending, agricultural bills, those
5 kinds of things at the same level as defense of the country.
6 And I agree with Dr. Mahnken that defense of the country
7 should be the priority.

8 Senator Inhofe: Thank you, Mr. Chairman.

9 Chairman McCain: Senator King?

10 Senator King: First, I want to commend the chairman
11 for the white paper. It is a very thoughtful and important
12 document, and I have always thought that the first person to
13 put pen to paper has the maximum amount of power. And I
14 appreciate that. I think it was a brilliant step to begin
15 this discussion.

16 One of the things the white paper talks about is
17 assumptions and faulty assumptions. We have been talking
18 about all strategy is based on assumptions. We need a
19 strategy.

20 And one of the assumptions is -- several of you
21 mentioned China. Clearly, we can see from the facts on the
22 ground that Russia is in a new phase of aggression in the
23 Ukraine and Crimea, in Syria, other areas. I am interested
24 in what your assessment is of China's -- what is your
25 assumption of what China wants? Because they do not seem to

1 be demonstrating that kind of at least military ambition.
2 Is it economic hegemony in their region? We all know about
3 the South China Sea. But what are the assumptions about
4 China, and are they the same level of threat to the United
5 States from a military point of view as Russia? I see them
6 as distinct. I would be interested in your thoughts. Dr.
7 Wood?

8 Mr. Wood: I think different countries and different
9 leaders in different countries, different cultures behave in
10 different ways that correspond with their particular
11 perspectives even if they have the same objectives. So I
12 think Russia and China both have objectives of being
13 hegemons in their respective regions, Russia much more in a
14 militaristic sense, China in an economic sense. So China
15 does not have to do the same sorts of things that Russia is
16 doing in Ukraine and in Syria to have a dominant influential
17 posture relative to the neighbors in its region. So if it
18 keeps everybody intimidated, kind of cowed, it has economic
19 dominance, it causes its neighbors to account for Chinese
20 interests in their calculations --

21 Senator King: That is not a military threat. My
22 question is, how do we adjust our military in relation to
23 the threat? Other thoughts? Dr. Mahnken?

24 Dr. Mahnken: I would say one common thread between
25 China and Russia is that they are seeking to revise the

1 international status quo that has governed for decades.

2 Senator King: It is an economic status quo you say.

3 Dr. Mahnken: And political and military. And I think
4 they are all intertwined. And more than what the Chinese
5 Communist Party leadership wants, I think, is what they
6 believe they deserve, and I think that is an important
7 distinction. So we look at building new geographic features
8 in the South China Sea, and we see that as kind of creeping
9 expansionism. No. Look, they believe that it already
10 belongs to them. They believe that they are merely
11 asserting control over what is justifiably theirs. And that
12 to my mind poses a much greater challenge than a country
13 that is sort of being opportunistic. I think whereas Russia
14 is in many ways a declining power -- and it has already been
15 alluded to in the economic dimension. It is also true in
16 demography and other ways as well -- the Chinese leadership
17 at least sees China as a rising power and sees this century
18 as being theirs. Again, I think that makes them a greater
19 challenge as well.

20 Senator King: Do they have military designs on Korea
21 or the Philippines or Japan?

22 Dr. Mahnken: I would argue that even short of military
23 designs on Korea, the Philippines, or Japan, merely what the
24 Chinese leadership sees as theirs, large parts of the South
25 China Sea, Taiwan, parts of India -- merely that poses a

1 threat to the international order. It poses a threat to
2 allies and also poses a threat to U.S. territory, including
3 our territories in the Western Pacific.

4 Senator King: Dr. Korb, I am almost out of time, but
5 your thoughts.

6 Dr. Korb: I think basically China is trying to assert
7 control, I think as Dr. Mahnken said, over what it sees as
8 its proper territory. They are not an aggressive power in
9 the sense that they worry about the Japanese. If you go to
10 China, they still have not gotten over World War II when it
11 comes to the Japanese. They are concerned about their
12 economic growth because they cannot keep going like they
13 have, and I think that is why they try and get more of these
14 resources in the South China Sea. I think that is why
15 President Obama correctly had the pivot to the Pacific, or
16 rebalance, to show them that there is a line if they upset
17 the freedom of navigation, that we will take action.

18 And the other thing is in the long term, these actions
19 that they are taking will hurt them. The Japanese are
20 spending more on defense. South Koreans are. The
21 Vietnamese are very concerned, and they are beginning to
22 work again with us. Unfortunately, the very erratic person
23 that just took over the Philippines is not doing what needs
24 to be done.

25 Now, I want to say this and it will not be politically

1 popular. Not supporting the TPP, even if you wanted to
2 modify it in some way, is the worst signal we could have
3 sent to dealing with China because had we done that, I think
4 that that would have united a lot of the countries in the
5 region against them and would have got them to modify some
6 of their behavior if they wanted to be part of it.

7 Senator King: Thank you.

8 Thank you, Mr. Chairman.

9 Chairman McCain: I agree.

10 Senator Ernst?

11 Senator Ernst: I agree as well.

12 Thank you, Mr. Chair.

13 I would like to start with a fairly small program that
14 I believe has significant impact overall. To you, Dr.
15 Mahnken, I know that while you were serving as a Navy
16 reservist, you deployed to Kosovo. And I want to thank you
17 for that service very much.

18 Kosovo is important to me personally but also to the
19 State of Iowa as well. Iowa's National Guard and Kosovo
20 worked together through the State Partnership Program, a
21 program that was started to strengthen our security in that
22 region after the fall of the Soviet Union. I believe it is
23 a great, great program with a lot of impact in that area.

24 And last year I was pleased that my efforts ensured the
25 program was permanently authorized, and going forward, I

1 want to make sure that it is properly funded.

2 To you then, Dr. Mahnken, would you agree that we need
3 to ensure our budget properly funds programs like the
4 National Guard State Partnership Program? And then if you
5 could in regards to Kosovo specifically, can you talk about
6 how important it is to have those relationships in that area
7 for their own security?

8 Dr. Mahnken: Thank you, Senator. And good catch on my
9 bio. That seems like a lifetime ago, but I do appreciate
10 you bringing that back.

11 Look, I do think that programs like that are very
12 important, and I think they really leverage expertise in the
13 Reserve component and they also build enduring
14 relationships.

15 I think one of the problems that we have encountered,
16 one of the challenges that has come with our operational
17 deployment pattern over the last 15 years is a lot of
18 habitual relationships have been disrupted. I mean,
19 traditionally it was not just National Guard but special
20 forces we relied upon to develop habitual relationships with
21 partner militaries across the world. And in an era when,
22 for good reason, many of those relationships have been
23 disrupted, I think things like the National Guard
24 partnerships really have filled a key role. And I think
25 going forward, establishing and maintaining those

1 relationships with not just our allies but our partners is
2 going to be all the more important. So I am fully behind
3 programs like that.

4 Senator Ernst: Thank you very much.

5 And I know, Dr. Korb, you had stated that we do need to
6 involve more partners. And I think this is a way of
7 developing some of those partnerships with nations that
8 really share a lot of our same values as well. Do you have
9 any input on that?

10 Dr. Korb: Well, I do and I think, as Dr. Mahnken
11 pointed out, this is very critical. We are not in this
12 alone. But threats that we face are global. And we work
13 with various countries at different times. At the beginning
14 of the Obama administration, the United States worked with
15 Russia to allow our supplies to go through Russia to go to
16 Afghanistan. So there are areas that we can work on. We
17 have had arms control agreements going back to the Nixon
18 administration.

19 The other thing I think is important to keep in mind is
20 that the National Guard and the Reserves are not just
21 strategic. They're operational.

22 Senator Ernst: Absolutely.

23 And I have fought that for years to get it funded. In
24 fact, before this committee, General Kaine and I almost came
25 to blows one time when he objected to my saying that. And I

1 think that's so critical because it is a total force. And
2 as we found out during the height of the wars in Iraq and
3 Afghanistan, even today, those folks can add to the capacity
4 that we have.

5 Senator Ernst: Thank you very much.

6 And, Dr. Mahnken, just very briefly. I have got about
7 a minute left. You are the author of a book entitled
8 "Strategy in Asia." And one of my greatest concerns is the
9 Islamic State and its spread into Southeast Asia. If you
10 could, talk a little bit about our forces and how you would
11 say we should budget and prepare those forces to deal with
12 issues like ISIS in Southeast Asia.

13 Dr. Mahnken: I think that is just one area where we
14 have some very strong partners, non-allies, but countries
15 like Singapore and Malaysia and others. And I think they
16 have, by and large, been doing a very good job by bolstering
17 the identity of their citizens and hardening their citizens
18 against influence by groups like ISIL. So I think working
19 with partners is absolutely key.

20 I think we can play a role. I think largely that role
21 is behind the scenes, supportive. And I think that is as it
22 should be. But as I look at kind of the global campaign
23 against ISIL, Southeast Asia still remains I think largely a
24 success story, and I want it to remain that way.

25 Senator Ernst: Fantastic. Thank you, gentlemen, very

1 much.

2 Thank you, Mr. Chair.

3 Chairman McCain: Senator Warren?

4 Senator Warren: Thank you, Mr. Chairman.

5 Thank you all for being here today.

6 The debate over defense spending is often about the
7 importance of the top line numbers. But the efficient
8 distribution of those dollars is also critically important.
9 Part of achieving our efficiency is making sure that we are
10 spending money in a way that aligns with our priorities and
11 our positions and that positions us to address current and
12 emerging threats. While states like Russia and Iran and
13 North Korea and others threaten our interests, our military
14 engagements today are increasingly low-intensity armed
15 conflicts and cyber-based conflicts against both state
16 actors and terrorist groups and other kinds of non-state
17 actors.

18 So let me ask you this. Dr. Korb, can these modern
19 threats and challenges be fully addressed by large spending
20 increases on traditional military investments like troop
21 levels, ships, planes, and nuclear weapons?

22 Dr. Korb: I think you raise a great point because of
23 the fact that the military services basically have an
24 identity and they always try and move ahead with that
25 identity. And threats like cyber, for example, which are

1 seen as nontraditional -- for example, the special forces
2 would not even have gotten the funding that they have gotten
3 over the years unless Congress set up a separate Assistant
4 Secretary for Special Operations Forces because they were
5 getting lost in the budget.

6 And so I think you have to be careful. As I pointed
7 out in my testimony, you do not want to deal with threats
8 from a bygone era. Secretary Gates said any Secretary of
9 Defense who recommends to a President to send large land
10 armies into the Middle East or Africa should have his head
11 examined. So then you ought to say, well, why do you need a
12 large land Army? Those are the type of things that you need
13 to do.

14 And I think it is important to keep in mind if you go
15 back and you look at the history, in the 1990s the military
16 fought against developing drones. It was the CIA drones
17 that we used in Afghanistan after the attacks of 9/11. So,
18 yes, you have to because they always want to stay with their
19 traditional missions.

20 Senator Warren: That is very helpful. Thank you very
21 much. I appreciate that, Dr. Korb.

22 You know, it is easy to talk about spending more. The
23 hard question is spending smarter and budgeting our defense
24 resources based on 21st century threats in a way that
25 enhances our military strength and lets our diplomacy

1 complement our military strength.

2 You know, efficient spending is also about eliminating
3 waste. In its annual report last April on wasteful and
4 duplicative programs across the Federal Government, the GAO
5 identified several areas where the Defense Department could
6 achieve savings in areas like acquisition, contract
7 management, and facilities maintenance. According to this
8 report, from 2011 to 2016, GAO directed 152 recommendations
9 to DOD to achieve savings, but 95 of these recommendations
10 -- that is about two-thirds, 63 percent -- remain only
11 partially addressed or not addressed at all.

12 Dr. Korb, what are some of the major reforms that would
13 be most effective toward eliminating wasteful spending?

14 Dr. Korb: Well, I think the first thing to take a look
15 at, as I mentioned in my testimony, is what the Defense
16 Business Board said is the buildup of the administrative
17 part of the Department of Defense. The committee last year
18 in the NDAA told them to cut back. And it is not just
19 civilian, but it is also the military staff I think is
20 important.

21 The other is -- and I commend President Trump for doing
22 this in terms of the F-35 contract. I hope that rather than
23 just tweets, he really gets involved in dealing with it
24 because I think that is very, very, very important. These
25 cost overruns -- we have not done as much as we should for

1 the penalties. I think that, as I mentioned in my
2 testimony, some of the things that Senator McCain
3 recommended in his budget in terms of letting the Navy who
4 for years wanted to buy F/A-18E's and F's rather than the
5 F-35's because they felt that they could deal with the
6 threats that they would face -- the littoral combat ship,
7 when it turned out to be a disaster, nobody did anything
8 about it. So, yes, I think there are things that we can do.

9 And I have written this several times. Unless you get
10 a deputy secretary of defense like a David Packard or
11 Charles Duncan, who came from Coca-Cola, or Don Atwood from
12 General Motors to do these things, it is going to be very,
13 very hard.

14 Defense -- they have not even passed an audit yet.
15 Okay? We keep waiting and waiting, and you keep saying,
16 well, when is it going to happen? Well, you have got to
17 have it.

18 Senator Warren: Well, I appreciate that. I know there
19 are always push-backs on audits and they cost time and
20 money, but there is a lot of cost of not doing an audit as
21 well.

22 Thank you, Mr. Chairman.

23 Chairman McCain: Senator Perdue?

24 Senator Perdue: Thank you, Mr. Chairman.

25 Last week now Secretary of Defense Mattis agreed and

1 made the comment that the greatest threat to national
2 security is our own federal debt. Mr. Wood, do you agree
3 with that?

4 Mr. Wood: From a non-military standpoint, yes, I do.
5 I mean, to the extent that the Nation is evermore in debt,
6 \$20 trillion, it lessens your ability to spend on defense.

7 Senator Perdue: Thank you.

8 Mr. Wood: But debt does not bomb cities. So it
9 depends on how you define it.

10 Senator Perdue: Right.

11 Dr. Korb, I agree that -- and there have been studies
12 that we can certainly procure better and smarter. The
13 Federal Government does not even have a capital budget, and
14 so it is very difficult to plan for a multiyear acquisition.

15 And I totally agree the Department -- I think I agree
16 with our chairman. The Department of Defense does need an
17 audit. I think it would help us see a lot of things and
18 actually become more efficient in our procurement.

19 But I want to focus on a couple things that we have
20 talked about today.

21 You know, we are talking about the needs in the
22 military without talking about the missions and the mission
23 requirements from a bottom-up standpoint. And the last time
24 anyone really did that was Bob Gates in 2011, and he made a
25 5-year estimate and for fiscal year 2016, his estimate was

1 some roughly \$100 billion more in current dollars, greater
2 than what even the President was asking for for this year,
3 at the very time that I would argue that we are facing
4 threats. And I agree with my colleague from Massachusetts
5 that we are facing various different threats, but they are
6 additive. They are not replacement threats.

7 So we have a five plus one mission today versus a one
8 plus one mission through most of my lifetime through a
9 nuclear deterrent. So when you look at Russia and China
10 being symmetric threats -- you have asymmetric threats in
11 ISIS and all the terrorist activities. Then you have the
12 rogue nations of North Korea and Iran with a nuclear threat.
13 Cyber we are beginning to talk about. We are not even
14 beginning to talk about the arms race in space yet.

15 So I would argue that at a very time when our threats
16 are additive, we are talking about reducing to the point
17 where today we have the smallest Army since World War II,
18 the smallest Navy since World War I, and frankly the oldest
19 and smallest Air Force ever. I do not know what that size
20 should be, but there are experts. If we would do it from
21 the bottom up based on missions, we would get there.

22 I just have a simple question very quickly. Mr. Wood,
23 do you agree that the Budget Control Act today is an
24 inhibiting factor that is arbitrary in terms of what we are
25 doing in terms of evaluating what we need to spend in light

1 of the fact that we do need an audit, we do need better
2 procurement practices and a more efficient way to actually
3 run the Department of Defense? But do you agree the BCA now
4 should be repealed?

5 Mr. Wood: I do and without reservation.

6 Senator Perdue: Mr. Mahnken?

7 Dr. Mahnken: I do, Senator.

8 Senator Perdue: Dr. Korb?

9 Dr. Korb: I do not think any arbitrary ceiling should
10 be there. However, I think that roughly \$620 billion for
11 fiscal year 2017 was more than adequate to deal with the
12 threats that we currently face.

13 Senator Perdue: Thank you.

14 Mr. Wood, at current levels of operational tempo, the
15 concern I have is deployments are getting longer, families
16 are being broken up. The number is certainly questionable
17 in terms of how many troops we actually need in a voluntary
18 military. I am very concerned about the increased
19 deployments and our inability -- and I can tell you from
20 trips around the world where we are not able to fulfill the
21 missions today because either we do not have the equipment
22 -- you both talked about balance of manpower and equipment,
23 and I certainly agree with that. But I am concerned today
24 about the shortage of certain pieces of equipment in certain
25 theaters that keep us from meeting certain mission

1 requirements today. They are very real and they are not
2 yesterday's war. They are the current issue. We saw in
3 Benghazi -- that is not a state-on-state war, but we had men
4 die there. And so I am very concerned that we continue to
5 look at the operational tempo.

6 Do you believe that we can maintain this current tempo
7 at the current size without really looking at the mission
8 requirements going forward?

9 Mr. Wood: I do not. There is a huge imbalance that
10 you just so well described. We are currently in a death
11 spiral where you have lack of money to repair things and
12 send it back. That means you have fewer end items. Fewer
13 end items means that the things that are in the force should
14 then used more, and so you consume the life of that end
15 item, whether it is a ship or a plane or a tank, that much
16 more rapidly. And so it just feeds on itself, and unless we
17 get BCA relief by getting rid of that and expanding the
18 force -- we currently have two-thirds the force that we need
19 based on 70 years of experience. And that is the only way
20 we are going to get out of this death spiral.

21 Senator Perdue: Mr. Chairman, I am out of time, but I
22 fully support this effort to look at this from all angles.
23 I am very concerned that over the last 30 years, our history
24 has been that in the 1970s disinvested in our military, in
25 the 1980s we recapped it, in the 1990s we disinvested, in

1 2000 we recapped it. And now after 15 years of war, we need
2 to think about how to replace and recap our military at the
3 very point in time when we have \$20 trillion of debt and we
4 have our Social Security, Medicare, and mandatory expenses
5 over the next 20 years running away from us. This is a
6 time, Mr. Chairman, we have got to get serious about how we
7 look at our debt crisis and how we look at our allocation of
8 limited resources across the entire Federal Government and
9 actually be smarter.

10 And I certainly applaud today's hearing. I hope we
11 have many more. Thank you.

12 Chairman McCain: Senator Gillibrand?

13 Senator Gillibrand: Thank you, Mr. Chairman.

14 I focus a lot on military families and their wellbeing,
15 and one of the things we have heard about from our families
16 is the current rules do not accommodate them. So if someone
17 gets transferred somewhere, the husband might leave, the
18 family still has school to finish, get a change of job.
19 There is no accommodation for when they move.

20 We are trying to change that. Senator Blunt and I had
21 a bill that was passed by this committee in the NDAA but
22 taken out in conference.

23 So just a more general question. We are really dealing
24 with 21st century families in a 20th century military
25 personnel system. It is really set up for the days when mom

1 and dad did not both work. It is set up for the days when
2 mom stayed at home. It is set up in the days where a lot of
3 the military personnel were single.

4 So what can we do to change the system to address the
5 challenges military families confront today?

6 Mr. Wood: Anyone in particular?

7 Senator Gillibrand: Anyone.

8 Mr. Wood: Over a 20-year career and something like a
9 dozen moves, my wife certainly has an experience with
10 schools and finding new doctors and what church do you plug
11 into and the whole bit. So we are very sympathetic to that
12 problem.

13 One problem the services have is these continuing
14 resolutions where money is put on hold. That is money that
15 can be used for PCS, or permanent change of station, types
16 of moves. So under normal circumstances, the military tries
17 to do most of its moves during the summer season between
18 academic years, but when you have very short notice about
19 how much money is available, sometimes you have these
20 interruptions that come in. Then you have unexpected
21 openings for a variety of reasons and a billet just needs to
22 be filled.

23 So the military services are extraordinarily sensitive
24 to and sympathetic to the toll taken on personnel policies
25 and the movements of these families. So they have done a

1 lot to look at that. Stability in funding would go a long
2 way to stabilizing these sorts of moves and enable families
3 to better prepare with longer lead time. And so, again, I
4 go back to the funding issue. Continuing resolutions, bad;
5 BCA, bad. And we just need more and stable over time.

6 Senator Gillibrand: Similarly, we have had a number of
7 hearings about the importance of cyber defense, cyber
8 warfare, cyber expertise. And we have talked a lot about
9 making sure we are using the National Guard effectively
10 because if you have got a guy working at Google who is the
11 best computer scientist and he happens to be in the National
12 Guard, he should be part of that work.

13 More broadly, what is the most effective employment of
14 additional funding in addressing the current needs for the
15 military's cyber needs? And how can we more effectively
16 recruit and retain our cyber warriors?

17 Dr. Mahnken: Senator, I think the answer both to your
18 previous question and to this is flexibility. I think
19 trying to bring in cyber expertise through the Reserve
20 component is part of it, but I think more broadly the
21 military, I think for understandable reasons, tends to
22 accord rank with seniority with pay. And in the cyber
23 world, certainly in the private industry, those things do
24 not always align. And so I think what we need to do is
25 think about some authorities that give the services greater

1 flexibility to really tap into the deep expertise that we
2 have in our society and bring it into the service of our
3 Nation's defense.

4 Senator Gillibrand: My last question is about -- and,
5 Dr. Korb, you can answer this one -- this issue of
6 sequestration. I did not vote for sequestration. I thought
7 it was a terrible idea, and I knew it would end up where we
8 are today. Do you think that if we raise the defense
9 budget, we should also raise our domestic budget?

10 And one of the reasons why I ask that question, there
11 are certain accounts in the domestic budget that very much
12 affect the wellbeing of the men and women we are recruiting
13 for the services. And if we neglect or ignore those
14 accounts, we will not have the fighting force we need. So
15 I'd like your thoughts on that.

16 Dr. Korb: Yes, Senator, that is an excellent point
17 because you want to recruit the best and the brightest to
18 come into the service, but if they do not have good
19 education, they are not going to be able --

20 Senator Gillibrand: Even good nutrition. I mean, we
21 had a whole hearing in the Ag Committee about obesity, that
22 so many of our recruits are coming in not physically fit and
23 obese because our nutrition policy is not supporting fruits
24 and vegetables and healthy foods in schools.

25 Dr. Korb: And similarly, if you do not fund health

1 adequately, for example, like we do through the Affordable
2 Care Act, you are not going to have them come in. So, yes,
3 it does contribute to national security.

4 And I think it is important to keep in mind something
5 President Eisenhower did. When he built the federal highway
6 system that we all use, basically he said that will
7 contribute to national defense. And after the Russians
8 launched or the Soviets launched Sputnik, we needed a
9 National Defense Education Act because if you want to bring
10 in these people -- and I go back to the point that Dr.
11 Mahnken made -- you are going to have more flexibility of
12 people coming in and out of the service or not just coming
13 in and you got to stay for 20 years if you want to get these
14 people.

15 And the other thing. You know, your first question
16 about military families -- I got to tell you something. We
17 have a policy about how long you should stay. The services
18 violate it all of the time. They move people around. When
19 I was there, I said, you know, you had 3 years of minimum,
20 and people would come at their retirement system, like
21 Colonel Wood said. This family moved around 18 times in 20
22 years. I said what happened to your policy. So there are
23 things that you can do.

24 And you can also look at the spouse's employment. If
25 you have a chance to put a Navy person in San Diego or

1 Norfolk and his or her spouse is a lawyer in Virginia, you
2 ought to send him to Virginia. I mean, just things like
3 that to try and get them, but the bureaucracy -- oh, no.
4 They have got to do more of this for the families because
5 given the strain that they have been under for the last 15
6 years or so.

7 Chairman McCain: Senator Tillis?

8 Senator Tillis: Thank you, Mr. Chair.

9 And, Senator Gillibrand, I am looking forward to
10 serving with you on the Personnel Subcommittee because these
11 are the kinds of things that we can do a better job of I
12 think.

13 Dr. Korb, I wanted to start with you. You said
14 something in your opening comments and your answer to
15 Senator Perdue's question. I liked all of your answers, but
16 I liked your answer best. And that had to do with
17 sequestration. I am curious as to all your reactions.

18 I have spent 2 years and I have spoken with a number of
19 people in uniform who are very capable managers of the
20 organizations that they are responsible for. Most of them
21 have more of a concern with how they are allowed to spend
22 the money than how much money they have to spend. And so I
23 think a discussion about let us plus up defense spending so
24 that we can plus up non-defense spending, some of which
25 complements defense, some does not, is not necessarily the

1 best way to start looking at how we do a better job of
2 budgeting and executing in a more fiscally sound,
3 sustainable way.

4 I think that if we started by looking at sequestration
5 for the person around the kitchen table to understand that
6 sequestration is a blunt force object. It is a budgeting
7 technique that would never be used in a Fortune 500 company
8 because it would cut evenly your programs that are the most
9 promising, most productive with those that are the least
10 promising, least productive. Do you all agree with that?

11 I want to get to something else, though, because I
12 think we can only go so far with improving the fiscal
13 execution of the DOD unless we recognize that some of the
14 inherent inefficiencies are a product of decisions made by
15 Congress. I remember when the 440th was removed from Pope
16 Army Airfield last year speaking with someone in the Air
17 Force who said, you know, Senator, we are sorry but it was
18 sixth on the list. And the question was, well, why not one
19 through six? Well, they were protected by BRAC or they were
20 protected by statutory action which made it impossible for
21 us to do the thing that we wanted to do which was spend the
22 least amount of money while preserving the best capability
23 and readiness that we have.

24 So has there been much work done over, say, modern
25 history to say if you really want to set people before this

1 committee and tell them to be more efficient and use the
2 dollars more wisely, that you need to go back and relook at
3 constraints that Congress has placed on them in Republican
4 and Democrat administrations so that you can truly achieve
5 the efficiency we would like to? I open that up to anyone.

6 Dr. Korb: Yes. I think very definitely. People do
7 not understand why you need a BRAC to close bases. Up until
8 the late 1970s, the Pentagon could decide what bases it
9 wanted to open, to close. Then the Congress put an
10 amendment on that said before you did that, you had to
11 basically do all these studies. They brought the process to
12 a halt. I worked with the late Senator Goldwater to deal
13 with this thing and that led to the setting up of the BRAC.
14 But we have not had a BRAC since 2005, and the Pentagon
15 estimates about 20 percent excess capacity. Just think what
16 you could do with some of that.

17 Senator Tillis: My time is limited. Unless you all
18 disagree with that -- to me a part of what we have to do is
19 transparency in these decisions. You know, when a decision
20 is made that has a material effect on the presence of any
21 area of the DOD, if it comes down to -- while I recognize
22 that maybe we are optimizing training, readiness, et cetera
23 by moving here, a decision or a constraint that was placed
24 on us is going to require us to sacrifice some of that
25 because of the congressional mandates that you have on

1 factors that have nothing to do with that. And I think that
2 our process really needs to start looking at that.

3 I will fight for North Carolina when it makes sense for
4 North Carolina. But I would never advocate for a change in
5 the recommendation from the DOD if I am completely convinced
6 that that is a dime better spent in some other State.

7 Do you agree that we have some work to do there as
8 Members of Congress to really recognize that we are impeding
9 some of their progress?

10 Dr. Mahnken: Senator, absolutely. When it comes to
11 infrastructure, when it comes to acquisition, when it comes
12 to a whole host of areas, I would agree.

13 Senator Tillis: And, Dr. Wood, I'll let you finish.

14 Mr. Wood: For a long time, sir, for the best of
15 intentions, Congress will mandate some increase in pay
16 raises, or what have you. The services realize that they
17 have to take that burden for years and years and years, and
18 they would much rather get an airplane back onto the flight
19 line. So flexibility and accounting for service priorities
20 where trying to execute the mission that the country is
21 telling them to do I think would be greatly appreciated.

22 Chairman McCain: I would just like to say to the
23 Senator that Senator Reed and I are seriously considering
24 the issue of BRAC, and obviously, we want to talk to the now
25 Secretary of Defense about it. But it is a little bit like

1 sequestration. It is an act of cowardess. We cannot make
2 the decisions ourselves. So we leave it up to a commission.
3 And frankly, the last commission made some very bad
4 decisions, for example, closing Naval Air Station Cecil
5 Field in Florida. Now we only have one base on the whole
6 east coast, and that is Naval Air Station Oceana. This
7 whole issue of Walter Reed. So we need to talk about it and
8 I think it has to be considered, as all things should be on
9 the table. But like sequestration, it is kind of a cowardly
10 act because it is authentication that we cannot make the
11 tough decisions ourselves.

12 Senator Peters?

13 Senator Peters: Thank you, Mr. Chairman.

14 And thank you to our panelists for very interesting
15 testimony about an incredibly important topic as we are
16 grappling with how to use taxpayer money as efficiently as
17 possible and provide for, without question, the number one
18 role of government, which is to keep us safe. And I
19 appreciate your thoughts on that.

20 And I would like to take a look at the future. And I
21 know several of you have mentioned how we prepare for future
22 wars and that the landscape is changing. It is certainly a
23 very dangerous world, but we are going to see a different
24 type of war 5, 10 years from now than we see right now.

25 When I had the opportunity to spend some time with

1 General Mattis, I was struck by a comment that he made in
2 which he said that he knows -- when he was a battlefield
3 commander, that he was really benefiting from decisions that
4 were made 10 years prior to him being on the battlefield and
5 investments that were made and equipment and personnel and
6 strategic ideas that came up during that time.

7 So I would just be curious. As we are talking about
8 budgeting, I do not want to ever fall in the trap that too
9 many folks throughout history have, which we always prepare
10 for the last war and spend a lot of money to fight the last
11 war which never comes. There is always a new war. And if
12 each of you would tell me where you think we should be
13 focusing for a war in the next 10 years where we are simply
14 not spending the type of money we should in a particular
15 area. If you have an idea, I would certainly appreciate you
16 sharing it. We can just go right down the panel.

17 Mr. Wood: Senator, thank you. I think that the
18 operative word here in all of this is "additive." I know we
19 are in the 21st century, but if you look at what is going on
20 in Ukraine, very non-21st century in many ways, multiple
21 launched rocket systems, some of the warheads, artillery,
22 armor, anti-armor fires. So the idea of contests on the
23 battlefield -- your opponent figures out where you are
24 strong and then does something different. You do not want
25 to meet strength with strength. Right? You attack a

1 vulnerability. So it has to be additive.

2 And I think as we move forward, the military has to
3 retain conventional capabilities while also improving its
4 ability in cyber, hyper-velocity munitions, directed energy
5 types of systems, the ubiquity of everything from social
6 media and information types of campaigns to how you use
7 satellites. So I think it is additive.

8 And what I am driving at is the capacity within the
9 force that is uncommitted to current operations so that they
10 can do the types of experimentation that reveal the insights
11 that you are looking for. Right now, the military is 100
12 percent committed to current ops and it has no capacity to
13 do the sorts of things that you are looking for. So it is
14 additive, be called upon to do more.

15 Senator Peters: Thank you.

16 Dr. Mahnken: I would agree but also add that for
17 decades the United States, U.S. military has enjoyed a
18 unilateral advantage in being able to identify, track, and
19 strike targets with precision, both fixed and increasingly
20 mobile targets. That capability is spreading, and that
21 which we have been able to do to our adversaries our
22 adversaries very soon will be able to do to us. So we will
23 be subject to our adversaries' precision strike, whether
24 from drones or from missiles or other means. And that is a
25 very different world. And not only will our forces be

1 vulnerable, but increasingly the U.S. homeland will be
2 vulnerable not only to nuclear attack, which we have been
3 for decades, but to precision conventional attack and cyber
4 attack. I would say that that is a very different world,
5 and even to the extent that many leaders will acknowledge
6 that we are entering that world, as Mr. Wood said, we have
7 not as a defense community, as a defense department really
8 systematically thought through the deep implications of that
9 not just for U.S. forces but for U.S. national security.

10 Senator Peters: Thank you.

11 Dr. Korb: Senator, I would take a look at what is
12 called the third offset strategy, which I support as a
13 strategy, but make sure that you fund it adequately. The
14 Under Secretary of Defense for Acquisition has said, well, I
15 do not have enough money to do it. I would give that a
16 priority because, as Dr. Mahnken said, you want to maintain
17 your technological edge.

18 Cyber is something where you have to invest more in.
19 It is not as expensive as some of the more traditional
20 areas. I think you need to build a new generation of
21 nuclear-powered submarines. I would not go with as many as
22 they want, 12. I think you can do with eight or nine. I
23 think you also need to build a new bomber because it has
24 both a conventional and a strategic role.

25 Senator Peters: Thank you. I am out of time.

1 Thank you, Mr. Chairman.

2 Chairman McCain: Senator Sullivan?

3 Senator Sullivan: Thank you, Mr. Chairman.

4 Gentlemen, thank you for your testimony. I very much
5 appreciate the different issues you are focusing on.

6 I want to kind of take an earlier focus when you were
7 talking about the debt and the deficit and touch on a
8 related topic with regard to our national security that I do
9 not think often kind of gets tied into national security,
10 and that is the strength of our economy just in general.

11 So the last 10 years, we have had a lost decade of
12 economic growth. We have not had 3 percent GDP growth,
13 which is not even that great for America. Our traditional
14 rates of growth have been closer to 4 for the last 200
15 years. We have not had 3 percent GDP growth in almost 15
16 years, not 1 year.

17 Can you just tell us from your perspective --
18 obviously, that would help on the deficit, on the debt. But
19 just as a symbol of American power -- you know, in the
20 Reagan years, we were growing at 5.5, even 6 percent; the
21 same with the Clinton years. Can you explain just how that
22 helps us in terms of getting our national security
23 objectives, not just our economic objectives, the
24 attractiveness of a robust American economy which, to be
25 honest, we have not had in well over a decade? I will offer

1 that to anyone.

2 Dr. Mahnken: Senator, well, I would say two things.

3 So the first is like Dr. Korb, I am not a fan of
4 pegging defense to GDP, but certainly the more your economy
5 is growing, the more affordable defense becomes. The more
6 your economy is growing, the more vibrant it is, also the
7 more innovations that that economy is producing.

8 Senator Sullivan: But does it not also give us power
9 to get things done when we are strong economically,
10 particularly in Asia?

11 Dr. Mahnken: And it also I think gives confidence.
12 You know, it gives the American people confidence in the
13 United States in our international role, and it also gives
14 our allies and our friends confidence in the United States
15 as well. Conversely, I would say part of the questioning
16 that we have had of America's international role has
17 domestic roots because people do not feel confident in our
18 economy at home.

19 Dr. Korb: Senator, I think it is very important. You
20 mentioned the 1990s. At the end of the decade of the 1990s,
21 the Republican Congress and President Clinton had come up
22 with a budget plan that not only balanced the budget but
23 gave us a surplus and predicted that in the first decade of
24 this century, the debt would be wiped out. And then we had
25 the attacks of 9/11, the wars, as I mentioned early, we did

1 not raise taxes to pay for. We ran up a big deficit. Then,
2 of course, you had the economic collapse because of some
3 decisions that were made in the 1990s in terms of some of
4 the regulation of the banks. And that is what we are
5 recovering from right now.

6 But you are quite right. And go back. I mentioned
7 about President Eisenhower said, you know, it is a robust
8 economy that is going to enable us to eventually undermine
9 the Soviet Union. We are not going to end up fighting them
10 on the battlefield. And so it is important to keep in mind
11 that it is very hard to be strong abroad if you are not
12 strong at home. If you have a larger GDP, it allows you to
13 do things.

14 But there are problems that you know better I do in
15 terms of dealing with things like the age for Social
16 Security. When I worked for President Reagan, we were able
17 to move it up a couple of years. Maybe we ought to think
18 about doing that again, for example, for certain people, or
19 raising the amount that you pay Social Security taxes on
20 that would help that.

21 So there are a lot of things that I think that the
22 Congress, working with the new administration, can do to get
23 our economy back up again. I happen to believe -- free
24 trade. I think the TPP and a lot of these others, North
25 American Free -- that was the way to go. We should not be

1 backing off from those.

2 Senator Sullivan: Let me ask just one other question
3 on another element of strengthening our national security,
4 and that is our allies. As you all know and you have
5 testified, we are an ally-rich Nation. Most of our
6 adversaries or potential adversaries, whether it is Russia,
7 China, Iran, North Korea, are ally-poor.

8 Fortunately, I think a number of the Trump
9 administration's cabinet officials, certainly General Mattis
10 during his confirmation hearing testified about the
11 importance of allies. I think Rex Tillerson has. The
12 President in his inauguration address talked about deepening
13 our traditional allies.

14 Can you just talk briefly about just how important that
15 is? Because I think there are some of our allies who are
16 questioning our commitment, but to Americans, how important
17 that is to strengthening our national security and what a
18 great strategic advantage it is that we have these allies
19 all around the world. And again, most of our adversaries do
20 not have any.

21 Mr. Wood: I would say the more allies you have, the
22 more legitimacy you have in taking actions, the more access
23 you have to regions, the expanded amplifying capability set
24 that you have where the U.S. can bring some capabilities to
25 bear. Our allies might have things that are more uniquely

1 positioned in a given region. It allows you to shape an
2 environment economically, diplomatically not only at the
3 international level like U.N., et cetera, but even
4 regionally in these regional consortiums of sorts of
5 agreements, you know, in trade and access to resources and
6 movement of people. You would much rather have more friends
7 on your team than lacking friends, and I think the American
8 people appreciate that. I think that money spent in ways
9 that go to other countries are often criticized, but it is
10 such a very small percentage of the budget and we reap such
11 great benefits, you know, pennies on the dollar, so to
12 speak, that this alliance structure should not only be
13 appreciated but matured and expanded over time.

14 Dr. Mahnken: Yes. I think if we start with the
15 premise of your first question, just thinking about economic
16 weight, I mean, our allies are not -- it is not just
17 numbers, but these are some of the biggest economies in the
18 world. They add to our economic weight.

19 We have allies because we have common interests, and we
20 have allies because we share common values. And I think it
21 is worthwhile to keep both of those in mind. And where we
22 have common interests and where we have common values, we
23 have very deep alliances that are not only additive but I
24 think in many cases also multiplicative of American power.

25 Chairman McCain: I thank the witnesses. This has been

1 very helpful, and we look forward to working with you and
2 appreciate your being here today.

3 This hearing is adjourned.

4 [Whereupon, at 11:03 a.m., the hearing was adjourned.]

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