

TESTIMONY OF LAWRENCE J. KORB  
BEFORE THE SENATE ARMED SERVICES COMMITTEE  
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Chairman McCain, Ranking Member Reed, and members of the Senate Armed Services Committee, I appreciate the opportunity to appear before you, with the other distinguished panelists, to discuss the appropriate size and distribution of the defense budget for FY 2018 and the defense program for the FY 2018-2022 period.

In my view this is the most critical national security issue facing the new administration and Congress because in defense, dollars are policy. In deciding how much of our scarce resources to allocate to national security it is important to keep several things in mind.

First, no matter how much this nation or any nation spends on defense, it cannot buy perfect security.

Second, the Department of Defense is not the only federal agency responsible for protecting our national security. The State Department, the Agency for International Development, and the Department of Homeland Security all play a vital role in protecting this country. If we provide so much of our limited resources to the Pentagon that we cannot fund these agencies adequately, our national security will suffer.

Third, we cannot be strong abroad if we are not strong at home. As presidents like Harry Truman and Dwight Eisenhower realized a strong economy at home is the basis for our military might abroad. Therefore, running up large deficits or not providing adequate funds for education, health, or infrastructure as a result of providing too many of our limited resources for defense will impact our national security negatively.

Fourth, whatever level of funding we provide for national security is not as important as having the appropriate strategy to deal with the current challenges facing the nation. Spending large sums of money to deal with threats from a bygone era will not enhance our national security. Just as sequester was a non-strategic and unwise way to limit a budget, increased funding that is not connected to a sound defense strategy for the demands we face today will be non-strategic, wasteful, and do more harm than good.

Fifth, in most cases the U.S. does not have to deal with threats to our national security by itself. Nor do we have to use military power as a first resort. Whether it is dealing with Russia, China, North Korea, Iran or ISIS, the United States can work most effectively with allies and partners. The U.S.-led sixty nation coalition fighting ISIS, the buildup of military forces by our NATO allies to combat aggressive moves by Russia, and the economic sanctions we and the European Union placed on Russia after its annexation of Ukraine, are examples of leveraging all the instruments of our own power and the contributions of our allies to protect our national security.

Despite the many contributions of our allies, Republicans and Democrats, including many of you on this Committee and all recent presidents, have expressed dismay about

inadequate defense spending by our partners, even calling them free-riders. That kind of behavior is enabled by profligate U.S. defense spending. We need to spend wisely as we call on friends to honor their side of our common-security bargain.

Many of those who advocate increasing the current level of defense expenditures substantially make two arguments. First, the Pentagon is not receiving a large enough share of the nation's gross domestic product (GDP). Second, our military is not prepared to deal with the current threats because of the limitations placed on all discretionary budgets, of which defense represents half, by the Budget Control Act (BCA) of 2011. But objective analysis demonstrates that these arguments are incomplete and somewhat misleading.

For FY 2017 the defense budget of about \$620 billion will account for 3.3% of the nation's GDP as opposed to the 4.7% it received in Obama's first year in office. But, this decline in the share of GDP devoted to defense is not a significant reduction in defense spending, but is mainly a result of the fact that Obama's economic policies have led to an economic recovery in the wake of national and global financial disaster. In fact, in real dollars the baseline for the non-war defense budget for FY 2017 is higher than it was when Obama took office. Giving defense a 4.7% share of our \$18 trillion GDP or even 4% would increase current defense spending by over \$100 billion. An arbitrary level of defense spending is just as non-strategic as sequester. What if we require more than 4% in a crisis or war? What if an economic boom makes 4% grossly excessive? The budget should be tied to the requirements, not to arbitrary numbers.

Moreover, analysis by experts, like General David Petraeus and Michael O'Hanlon of the Brookings Institution, makes it clear that the current state of our armed forces is "awesome," that we are not facing a readiness crisis and the current level of defense spending on readiness and procurement is more than adequate<sup>1</sup>. This does not mean that the new administration will not face challenges but the challenges are not as much monetary as they are management. Even with the limits placed upon the Pentagon under the BCA, the amount of funding for defense in the National Defense Authorization Act (NDAA), as recently signed by former President Obama, amounts to more in real terms than the U.S. spent on average in the cold war and more than we spent at the height of the Reagan build-up. This amount is three times more than our nearest competitor, the Chinese, will spend this year and accounts for more than one-third of the world's total military expenditures. In addition, our allies account for another one-third. In fact, for 2017, the top ten major powers will spend about \$1.33 trillion on defense. Of these ten countries, only China and Russia, which between them spend about \$230 billion, can be considered potential adversaries.

The BCA caps have not constrained defense spending as much as many assume. The Congress has provided about \$100 billion in relief from the BCA since FY 2013, and at least half the Overseas Contingency Operations (OCO) account, which is not subject to the BCA caps, has been used for enduring programs that have nothing to do with the wars in the Middle East or

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<sup>1</sup> O'Hanlon, Michael and Petraeus, David. (2016, September/October). America's Awesome Military And How to Make It Even Better. *Foreign Affairs*. <https://www.foreignaffairs.com/articles/americas/2016-07-22/america-s-awesome-military>

Afghanistan. In other words a significant part of the OCO account is a slush fund that allows the Pentagon to get around the BCA limitations.

Before the new administration and the Congress adds significant funds to the FY 2018 budget, as recommended by President Trump and Chairman McCain, they need to take a close look at how the Pentagon is currently spending the large amount of funding it currently receives, especially in at least four areas.

First, as noted in a recent report by the Defense Business Board the Pentagon could save \$125 billion by cutting the size of its headquarters or administrative staff which has grown by 38% since 2001. However when this report, which was commissioned by the former administration, came out, rather than endorsing it, its leaders tried to bury it in no small part because they believed it would never get support from the Congress. Congress should be leading on finding savings, not just adding dollars to our defense budget.

Second, the Pentagon needs to curb the cost overruns on its major acquisition programs. In 2015, according to a report by Deloitte, the combined costs overruns for the major acquisition programs was \$468 billion, something Government Accountability Office (GAO) has been pointing out for years. Chairman McCain himself has called these overruns absolutely outrageous. Congress and the new Administration should take advantage of their unified political control of the government to get an actual audit of the Pentagon and begin a clear process of reform to improve acquisitions.

Third, the Pentagon should adopt some of the recommendations made by Senator McCain in his excellent report, "Restoring American Power." Specifically, the Pentagon should: develop a high-low mix of aircraft carriers by building smaller conventionally powered carriers rather than simply continuing to build only \$15 billion nuclear powered Ford class super carriers; cut the total number of Air Force F-35's from 1,732, a number Chairman McCain correctly points out is unrealistic; and get the Navy to stop production of the poorly conceived and managed Littoral Combat Ship (LCS) at 28, as opposed to the Navy's goal of 52. The Navy should also buy more F-A 18 Super Hornets and fewer F-35's.

Fourth, the Pentagon and Congress should adopt the proposals put forward by former Secretary of Defense, William Perry, and former Vice Chairman of the Joint Chiefs of Staff, General James Cartwright, and cancel the new land-based missile and air-launched cruise missile portions of the multi-billion dollar nuclear modernization the Pentagon is currently undertaking, something we endorsed in our report, "Setting National Priorities for Nuclear Modernization." These steps would be a good start toward improving the management and stewardship of our defense dollars and should be implemented before Congress approves major spending increases.

Thanks again for the invitation to once again appear before the Committee. I look forward to your questions as you deal with these critical issues.