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HEARING
ON
NATIONAL DEFENSE AUTHORIZATION ACT
FOR FISCAL YEAR 2022
AND
OVERSIGHT OF PREVIOUSLY AUTHORIZED
PROGRAMS
BEFORE THE
COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
ONE HUNDRED SEVENTEENTH CONGRESS
FIRST SESSION
—
FULL COMMITTEE HEARING
ON
NONGOVERNMENTAL VIEWS ON THE
FISCAL YEAR 2022 DEPARTMENT
OF DEFENSE BUDGET
—

HEARING HELD
JULY 20, 2021



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**NONGOVERNMENTAL VIEWS ON THE FISCAL YEAR
2022 DEPARTMENT OF DEFENSE BUDGET**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Tuesday, July 20, 2021.

The committee met, pursuant to call, at 10:00 a.m., in room 2118, Rayburn House Office Building, Hon. Adam Smith (chairman of the committee) presiding.

OPENING STATEMENT OF HON. ADAM SMITH, A REPRESENTATIVE FROM WASHINGTON, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. Good morning. I will call the meeting to order. Once again, we still have a hybrid hearing, so some members are participating virtually, and there are rules for that, which I will read to you to get us started here.

Members who are joining remotely must be visible on screen for the purposes of identity verification, establishing and maintaining a quorum, participating in the proceeding, and voting. Those members must continue to use the software platform's video function while in attendance unless they experience connectivity issues or other technical problems that render them unable to participate on camera. If a member experiences technical difficulties, they should contact the committee staff for assistance.

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Finally, I have designated a committee staff member to, if necessary, mute unrecognized members' microphones to cancel any inadvertent background noise that may disrupt that proceeding. Thank you.

So, this morning, we are having a hearing basically to discuss the budget, you know. Part of that is certainly the top line, the

overall number, but I am also really hopeful that our witnesses will get into the issues of where we spend that money, how things are changing and evolving, you know, and how we spend the money, what capabilities. Obsessively focusing on numbers misses the point that it really matters where we spend it.

We have three witnesses this morning. We have Dr. Stacie Pettyjohn, who is the senior fellow and director for the Defense Program for the Center for a New American Security, represented on the rather awesome-looking screen, if I may say. Kudos to my staff. You know, it is almost like she is actually here. It looks awesome. So welcome. We have Ms. Mandy Smithberger, who is the director of the Center for Defense Information Project on Government Oversight, and Mr. Roger Zakheim, well known to the committee as former HASC [House Armed Services Committee] staffer. Good to have you back. He is now the director of The Ronald Reagan Presidential Foundation and Institute.

Well, as I mentioned in my opening remarks, the purpose of this hearing is to talk about the budget, the numbers, how much money we should be spending on defense, and where we should be spending it. This is something that is going to play out a great deal in the next 4 or 5 months. There are obviously differences of opinion in, you know, appropriators, House, Senate, Republican, Democrat, on exactly what that number should be. I have said publicly and will continue to say I support President Biden's budget. I think the number is right. I think there is absolutely no reason on Earth why we cannot adequately defend the country for \$753 billion. It is actually a larger increase than the increase we got from President Trump's budget last year, and I think we worked those numbers out perfectly fine.

But part of discussion is if you think the number should be higher, tell us why; if you think the number should be lower, tell us why. But the other part of it that is really important is, where do those numbers come from? And those numbers come from the National Defense Strategy. That is where it all starts. And from the National Defense Strategy, we build down a series of requirements, things that we think we have to be able to do. And most of the numbers that I have seen during my 25 years on this committee don't think too much further than that. Okay. Well, it is in the National Defense Strategy. It is a requirement. Therefore, we have to spend the money.

But the job that I want to see this committee do is to look at that. Why is that a requirement? Does that requirement make sense? Does it actually meet our needs? Was that a requirement that we came up with 25 years ago and just decided never to change our minds so we keep moving forward? We need to really think seriously about those requirements all the time but now in particular because of the changing nature of our defense strategy and of the threats we face.

We are all, you know, very much familiar with the fact that Russia and China now are our rising peer competitors at a minimum, and certainly there is a distinct possibility of them being threats. For the last 20 years, much of our focus has been on asymmetric warfare, transnational terrorist groups and their threat. That is a different set of priorities than having to figure out how to deter ad-

versaries with the size and capability of Russia, China, and then even emerging, you know, countries like Iran and North Korea. That requires us to rethink a number of those requirements.

But, also, the nature of warfare has changed in that how important information has become. In order to be successful, we have to, number one, be able to access a large amount of information. That part we have gotten fairly good at, but, number two, we have got to figure out, within that incredible morass, what do we really need to know? How do we find the information in that pile, you know. People often refer to it as trying to find a needle in a haystack. I always liked the way a counterterrorism guy said: No, it is like trying to find a needle in a needle stack. They are all important, but which one is the one we are looking for today and in this moment, and how do we find it?

And then how do you get that information out to the people who need it in real time? It is great if some analysts, you know, back at the Pentagon can see it. But what about the pilot, the ship captain, the infantryman out there? And, finally, does he or she have that information in that moment, and how do we do that?

And, as we have all learned, how do you protect all of that so that an adversary cannot disrupt it or cut it off? We are not as good at that as we need to be.

And, also, there is the survivability question. Large platforms are simply not as survivable as they used to be. And I am really struck by the swarm of drones issue, a weapon of war that is being used increasingly in the Middle East, was used in the Armenian conflict where for a relatively small amount of money, I think it is south of a million dollars, you can put together a swarm of drones that could pack an incredible punch. And the truly interesting thing about it is you can't see them coming.

And I know I have been picking on the F-35 of late. The program is incredibly important, but it also deserves to be picked upon given the amount of money it has gone over budget and the difficulties we have had with it, but think about this: A \$75 million airplane, the F-35, can't get into some areas that a swarm of drones that cost several hundred thousands can. How does that change what systems we need, what requirements we have in order to get in and attack these places? So I really want to get into that examination of requirements, and I will close with something that I have complained about a great deal.

I mentioned that requirements get built. Once the requirement gets built, we accept that as, therefore, we must spend the money. I also see this in the combatant commander issue. Whenever a member is trying to advocate for spending more money on a given program, inevitably they will point to the fact that, you know, only 60 percent of the combatant commander's request for this particular platform were met last year. If you really look at that, we never meet the combatant commander's request. We never even come close. All right. Now, does that mean that we are desperately in jeopardy and are way underspending, or might it also mean that we don't have the right requirement set, that we don't have the right mission statement for what we truly need to accomplish? And I think that is the question I am really interested in. At the end of that, it may well come out that we need a little bit more money,

or it may come out that we need a little bit less. But we really have to understand what we are spending it on and how much we are getting for those dollars spent, not just focus on, well, we need more. Isn't more always better? No, actually. In many instances, it is not. We have got to make sure we have the right capabilities.

So I look forward to the testimony and the questions and answers. And, with that, I yield to Mr. Rogers for his opening statement.

**STATEMENT OF HON. MIKE ROGERS, A REPRESENTATIVE
FROM ALABAMA, RANKING MEMBER, COMMITTEE ON
ARMED SERVICES**

Mr. ROGERS. Thank you. And I would point out that from the beginning, my friend, the chairman, likes to emphasize that this year's increase is larger than the President's last budget increase. However, it is basically a \$4 billion cut in real dollars. And the last President over 4 years increased defense spending 13 percent over the rate of inflation. So, if this President's budget proposal were carried over 4 years, it would be half of what Trump did over his 4 years.

But I want to thank our witnesses for being here. Today, the committee is hearing the views of nongovernmental stakeholders on the President's defense budget. Over the past month, we have heard budget presentations from Secretary Austin, Chairman Milley, and each of the service chiefs and secretaries. To date, no one has been able to successfully put lipstick on this pig.

Now, the fact remains this budget is woefully inadequate. It doesn't keep pace with China. It doesn't even keep pace with inflation. In fact, it constitutes a cut of over \$4 billion in real dollars. The budget cuts the number of Navy ships and destabilizes the shipbuilding industry. It slashes procurement across the board. It guts missile defense. It leaves unfunded over \$25 billion in combatant commanders' priorities. It accelerates the divestment of critical capabilities for replacements before replacements are available, and it cuts the size of the Army, Navy, Air Force, and Marine Corps.

We have heard a lot about this budget, how this budget invests in modernization while maintaining readiness, but it actually does neither. Accelerating divestments and slashing the budget for new ships, aircraft, and combatant vehicles saves \$13 billion, but it undermines readiness by creating dangerous gaps in near-term capability. To make matters worse, the \$13 billion savings are not being reinvested in the development of next-generation capability. In fact, those savings are not being reinvested anywhere in the DOD [Department of Defense]. Instead, they are being used to pay for a colossal list of far left priorities.

The President is proposing to swell nondefense spending by a massive 16 percent, and that doesn't count the nearly \$2 trillion already wasted on a so-called COVID [coronavirus disease] stimulus bill earlier this year that less than 10 percent dealt with COVID or the \$4 trillion in new mandatory spending the President and Democrats are intending to ram through Congress later this summer. None of that money, not a single dollar, will be spent on the defense of this Nation.

We are going to talk a lot about the National Defense Strategy today and how to properly resource it, but by the looks of this budget, it appears that President Biden has already settled on the new strategy, and it is a stark departure from the past. Instead of deterring conflict with China through strength, we are inviting conflict through weakness. And if the President continues to underfund national security, we will lose that conflict. That is unacceptable, but it doesn't have to be that way. I urge my colleagues to reject this budget and work in a bipartisan manner to make necessary investments for our national defense.

With that, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you.

And, Dr. Pettyjohn, you are recognized. We will see if it is working in a second, but I am confident it will be. Go ahead.

**STATEMENT OF DR. STACIE PETTYJOHN, SENIOR FELLOW
AND DIRECTOR, DEFENSE PROGRAM, CENTER FOR A NEW
AMERICAN SECURITY**

Dr. PETTYJOHN. Thank you. Chairman Smith, Ranking Member Rogers, distinguished members of the committee, and the staff, thank you for inviting me to testify today on the fiscal year 2022 defense budget.

My remarks draw on a new Center for a New American Security report that I co-authored with Becca Wasser and Jennie Matuschak. According to Secretary of Defense Lloyd Austin, the \$715 billion fiscal year 2022 defense budget is focused on deterring China, the Department's pacing challenge, and is biased towards the future. There are, however, signs in the fiscal year 2022 budget that the next National Defense Strategy might not sufficiently prioritize deterring great power aggression, which requires developing a military capable of defeating a conventional attack and strengthening strategic stability.

This is disconcerting because, absent significant changes to the current U.S. force structure, considerable investments in emerging technologies, and the development of new operating concepts, the U.S. military could lose a war against a great power like China or Russia.

For too long, the Pentagon has ignored the problem, and as a result, the U.S. military edge is eroding. An example is the fiscal year 2022 budget, which simultaneously funds advanced capabilities to counter China and Russia, sustains a high level of readiness, and maintains service end strength. This suggests that the administration is trying to do too much with too little. There are serious risks with this approach. Addressing today's needs will likely continue to prevent investments in the future. And as the military tries to do more with less, it might find itself trying to do everything but doing few things well.

This is because it is unclear how the next National Defense Strategy will handle two critical issues. The first is the prioritization of threats. Will the Department explicitly preference China and, secondarily, Russia, over other challenges, or will it balance among an expanded list that includes persistent threats, climate change, and bio threats?

Second, what is the primary role for the Department of Defense and the level of urgency associated with the China challenge? Should the U.S. military compete below the threshold of armed conflict today, or should the Pentagon focus on building a future force capable of defeating a great power adversary and a large-scale war tomorrow. It is unlikely that the United States can build a force for competition and warfighting within any credible top line budget.

In our CNAS [Center for a New American Security] report, we developed three strategies and associated force structures and tested them in a series of tabletop exercises on daily competition, subconventional territorial aggression, and large-scale conventional attacks. We found that the strategy we call full-spectrum competition most closely resembles the Biden administration's current approach of balancing near-term competition with modernization and high-end deterrence. Notably, this strategy performed poorly against priority threats. It cannot defeat a large-scale conventional invasion of Taiwan or the Baltics, nor can it halt subconventional aggression. It also risks significant overstretch and technological overmatch. Similarly, a competition-focused strategy that builds a large visible force to actively contest daily military provocations and expects to deter through presence also fails to defeat both subconventional land grabs and conventional aggression.

More optimistically, our analysis suggests that it is possible to build a force capable of winning one big conflict and overturning subconventional aggression within the current top line budget but only by accepting some near-term risks in subconventional competition, against other threats, and in other regions.

It is important to remember that the fiscal year 2022 budget is largely a legacy one. Although this budget makes some significant investments that align with the high-end deterrence strategy, it does not go far enough. As the Pentagon is still developing the next NDS [National Defense Strategy], there is still an opportunity to course correct. For more than a decade, analysts have been warning the Department of Defense that the U.S. military could lose a war against a great power adversary if it does not significantly change the size and composition of its force and the way that it fights. Too much time has been lost. The Pentagon must prioritize the future now. Divestments are necessary to fund modernization, but alone, they are not sufficient. The dual conventional and nuclear modernization bill that is now due requires larger trades among capacity, capability, and readiness. Because military personnel costs are growing more than the overall budget, they reduce the resources available for modernization. Shrinking the size of the Active Duty force, particularly the Army, which plays an important but supporting role in the Indo-Pacific theater, frees up resources to focus on high-end deterrence against China.

The 2022 National Defense Strategy and the fiscal year 2023 budget will need to accept more risk and further prioritize to prepare the force for the most challenging and consequential threats. If the Biden administration does not make these hard choices or Congress chooses not to support this strategy, it risks losing the United States' military technological edge and the ability to win a war against a great power.

Thank you. I look forward to your questions.

[The prepared statement of Ms. Pettyjohn can be found in the Appendix on page 49.]

The CHAIRMAN. Thank you.

Ms. Smithberger, you are recognized.

STATEMENT OF MANDY SMITHBERGER, DIRECTOR, CENTER FOR DEFENSE INFORMATION, PROJECT ON GOVERNMENT OVERSIGHT

Ms. SMITHBERGER. Thank you, Chairman Smith, Ranking Member Rogers, and members of the committee for inviting me to testify before you today. My name is Mandy Smithberger, and I am the Director of the Center for Defense Information at the Project on Government Oversight. I want to thank the committee for holding this hearing today.

We think that Pentagon spending is continuing to rise at an unsustainable rate, now more than at the peak of the Reagan buildup. But too often we are paying too much money for too little capability. Throwing even more money at the Department will only make the problems worse and undermine the kinds of reforms we need to see at the Department. We have to have accountability for failed programs and wasted funds, including real budget consequences.

The Biden administration's budget proposes cutting a number of legacy programs to fund modernization. The Department must make tradeoffs and set priorities. But we worry that in too many instances the Department proposes getting rid of proven and usually cheaper systems in favor of immature technology that costs significantly more. The cost of failed or delayed modernization programs can be substantial. Over the course of a decade, the Department had to cancel programs we had already sunk \$46 billion into. Many of those canceled programs promised leaps in technology that ultimately could not be affordably achieved.

It is also vital that we understand the human cost of failed modernization programs. Delays can contribute to preventable accidents and loss of life. The National Commission on Military Aviation Safety found that maintenance and safety of legacy systems across the services deteriorated as leaders took resources from them for new programs. When there were delays in those new programs, the lives of the now underserviced legacy systems had to be extended for years.

While many have blamed readiness shortfalls on insufficient funding, the Commission made clear this was not the case. Their primary fiscal concern is not the amount of money but that they couldn't count on it. We have a responsibility to change course and save lives.

I want to give you an example of a program in this budget that shows that new systems that are too expensive to maintain or upgrade can quickly become irrelevant legacies. This budget proposes retiring four littoral combat ships. We support this cut, but it is emblematic of wasteful spending that could and should have been avoided at the outset.

It is not difficult to imagine a similar fate for the F-35. Low readiness rates and high maintenance costs have turned what

should be a workhorse into something the Air Force Chief of Staff called a Ferrari to be used sparingly. This is a case study of the massive waste caused by buying before we fly.

If there is only one thing you take away from what I say today, we must make sure we fly before we buy. We understand the need to speed up the acquisition process, but rushing unproven technology into production increases costs and undermines readiness. Programs should start with a process that meaningfully analyzes alternatives for new systems, leverages competition and prototyping, and enables oversight and transparency throughout the process.

There are a number of areas ripe for cuts without compromising military effectiveness, and I am going to tell you about three: the shadow workforce, the Department's wish list, and nuclear spending. First, the shadow workforce. Last year, the Department spent nearly \$204 billion on service contracts. POGO's [The Project On Government Oversight] review of government data found that contractor employees cost nearly three times more than the average civilian employee. The Defense Business Board and the Pentagon have found similar trends. We urge more transparency and enhanced reporting to improve oversight and inform smart cuts.

Second, the Department's wish list. Giving services and components two bites at the apple increase the already palpable pressure to increase spending. Congress should eliminate the statutory requirement and all wish lists, whether they are submitted by statute or by request, and should include recommended offsets within the component's own budget.

Finally, nuclear weapon spending. In a single year, projected spending on nuclear weapons activities increased by 29 percent or \$113 billion. The upcoming Nuclear Posture Review is an important opportunity to consider ways to reduce these costs. This year's budget also includes reforms we hope the committee will support, most notably, eliminating the Overseas Contingency Operations account. We urge the committee not to resurrect this account or create new ones.

The Department of Defense budget aims to address a number of major emerging national security challenges. Responding to many of these future challenges cannot be fully or even principally led by the Department. Ensuring our security for the future will require balancing resources to enable the United States to make the best use of the power of our economy, the power of our diplomacy, and our capacity for innovation. For example, addressing China, climate change, and cybersecurity will all require whole-of-government approaches. We must rein in Pentagon spending and ensure that every dollar improves our national security and supports all of those who serve and protect us.

Thank you again for the opportunity to testify. I am happy to answer any questions you may have.

[The prepared statement of Ms. Smithberger can be found in the Appendix on page 66.]

The CHAIRMAN. Thank you.
Mr. Zakheim.

**STATEMENT OF ROGER ZAKHEIM, WASHINGTON DIRECTOR,
RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE**

Mr. ZAKHEIM. Chairman Smith, Ranking Member Rogers, and distinguished members of the committee, thank you for inviting me to testify today. It is truly an honor to be back before this committee.

My testimony, which I will summarize here, considers the strategic and budgetary requirements necessary to compete with the Chinese Communist Party as well as other significant threats, notably Russia, Iran, North Korea, as well as terrorism to cyber and digital threats. My approach reflects a peace-through-strength strategy that aligns with the findings and recommendations of the bipartisan National Defense Strategy Commission, on which I have the privilege to serve.

Most relevant to today's hearing, I reaffirm the NDS Commission's endorsement of the 2018 National Defense Strategy as well as the recommendation of a 3 to 5 percent real growth annum increase in the DOD budget.

The Biden administration's fiscal year 2022 budget request falls short of what is required to support the National Defense Strategy. The \$715 billion request represents a real cut as it fails to keep pace with inflation. This departs significantly with the NDS Commission's recommendation of this 3 to 5 percent real growth that was generally viewed as the minimum necessary to sustain the NDS and keep pace with both current and future threats. The fiscal year 2022 budget is below the \$37 billion required to get 3 percent and \$52 billion below what would get you to the 5 percent growth. Indeed, both represent substantial sums of money. But given the strategic environment, as well as resources our government is spending on other priorities, it is a prudent investment towards sustaining our peace and prosperity. This was true in 2019 when the Commission issued its recommendation. It is even more critical today with inflationary forces on the rise.

Now, there are some, including thoughtful voices on this committee, who reject the NDS Commission recommendation on the grounds that it fails to make real strategic choices or come to terms with fiscal realities. To those skeptics, I would point to the NDS Commission's recommendation, an admonition really, that anything short of this recommendation will require the Pentagon to, quote, alter the expectations of the U.S. defense strategy and our global strategic objectives. In other words, the choice is really binary. We either need to resource this strategy or change that strategy. If this Congress will not fund the current National Defense Strategy, then our civilian and military leaders owe you a new strategy that reduces our military missions and global posture. In my view, changing the strategy in such a manner would have a detrimental and dramatic effect on our national security. And the best I can discern from the Biden administration's nascent strategy and the first budget request is that military missions and mandates will increase, not shrink.

As the Congress considers the defense budget, it ought to consider the conduct of its primary competitor, the Chinese Communist Party. The White House's Interim National Strategic Guid-

ance rightly reaffirmed the Trump administration's assertion that the United States faces, quote, a growing rivalry with a more assertive and authoritarian China. And Secretary Austin correctly described before this committee the Chinese Communist Party's People's Liberation Army as, quote, the pacing threat. In March of this year, Beijing announced a 6.8 percent increase in its defense spending despite the economic toll of the pandemic. And recent analysis revealed the annual dollar value of the PLA [People's Liberation Army] procurement is on course to eclipse that of the United States military by 2024. If this occurs, then by 2030, the United States will no longer boast the world's most advanced fighting force in total inventory value. This spending allows the CCP [Chinese Communist Party] to fund an active force of 2 million and a navy which commissions about 14 ships each year, including a new cutting-edge aircraft carrier.

As the Pentagon's China military power report outlined, the CCP is on its way to becoming, quote, a world-class military by marshaling the resources, technology, and political will, which over the past few decades has allowed them to strengthen and modernize the PLA in nearly every respect.

Advocates of a strong U.S. national security posture often invoke President Reagan's peace-through-strength philosophy, but it is worth reflecting on the meaning of that core principle. At the height of the 1980s military buildup, President Reagan argued peace is not the absence of conflict but the ability to cope with conflict by peaceful means.

Now, while this hearing is nominally about the defense budget, at its core it is a debate about strategy, and the choices before you are clear: option one, resourcing a strategy that would seek to prevail in the competition with China while holding off adversaries and spoilers in other regions; option two, maintaining that strategy but not resourcing adequately and absorbing risk; option three, as was laid out, more dramatically choosing a more modest strategy that would cede our military supremacy and really shrink to a regional power. The choice will determine the nature of our peace and the likelihood of us prevailing in conflict.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Zakheim can be found in the Appendix on page 80.]

The CHAIRMAN. Thank you.

I appreciate all the testimony. So, as I look at this, I mean, there is clear consensus on one point, and that is that, you know, strategy and the resources have been bit misaligned for a little while. And then the question is, do we change the strategy? Do we change the resources? And a lot of what is driving this is I think what Ms. Pettyjohn focused on, which is, you know, Russia and China. Could we go to, you know, the Baltics States, the Balkans and win a war with Russia? Could we go to Taiwan and win a war with China?

So put that aside for a moment. We have a wide range of other national security interests, you know. We are still dealing with transnational terrorist threats. You know, the great power competition is taking place in many instances in Africa, in Latin America, and elsewhere. It is not just in Russia and—sorry, in China and Eastern Europe. So there is a wide range of things we are trying

to do. And, also, as we have seen, global pandemics are definitely a threat to our national security. Climate change is definitely a threat to our national security. So we have got all that stuff over here that we are doing.

But it seems to me that the construct that I find—well, struggle with, that I don't necessarily agree with is we have to be able to win an all-out war with China. We have to be able to win an all-out war with Russia. That seems to be what is driving the requirements. And I don't think there is any fiscal way to guarantee that because China and Russia, they are big powers. If that is our mission, then, yes. We ought to have a defense budget that is a lot bigger than it currently is. I think it is an unachievable mission past a certain point, and it is also unnecessary. We have to be able to deter China and Russia. But to think that we have to build our military in an era when China and—well, China more than Russia, they are rising up economically, you know. Our post-Cold War utter and complete dominance just simply wasn't going to last. It is not the way the world works. Other countries will get up off the ground and begin growing and building.

So we basically set up—you know, we are chasing our tail here, trying to be able to defeat them in a war on the road, basically, and that is not necessary. Okay. We need to be able to deter them. And, by the way, the military is not the only way to deter adversaries from doing things that we don't want. But once you set that premise up, once you say China and Russia are terrible, awful, and doing all of these things, we have to stop them, and the only way to stop them is to be prepared to win an all-out war, well, then, yeah, you may as well push the button to infinity on how much money we could spend on defense.

So I guess I will start with Ms. Pettyjohn as an answer to this question. Why do we have to win an all-out war with China and Russia? Why is it—I mean, adversaries far smaller than us have successfully deterred us for years for a heck of a lot less money. Why can't we do the same thing with China and Russia and not buy into this, like, endless expense?

Dr. PETTYJOHN. Thank you for that question. I agree that competition with China and Russia spans the whole spectrum of government and that, actually, other departments and agencies should take the lead in the peacetime competition that is going on. But what the Department of Defense does and does best is deter wars, and you don't deter wars by hoping that you have the capability to stop them. You actually need to have the forces to prevent them from achieving their objective, what we call deterrence by denial.

The CHAIRMAN. Let me just focus my question a little bit on that. What you have to be able to do is you have to make sure that your adversary decides that there is too much pain involved in starting the conflict. It is not a matter, necessarily, of winning. It is a matter of they look at this and say: Okay, maybe I can win, but it is going to be too high a price. Am I wrong about that?

Dr. PETTYJOHN. Correct. You need to change their calculus where they wonder whether they can win or if they are willing to bear the costs. And it sounds like you are suggesting a punishment strategy, which one could rely on, but it—the sort of gold standard of deterrence is deterrence by denial, and it doesn't require infinite

resources and capabilities. You focus on specific missions that are related to the particular threat and scenario that you are focusing on. And if you narrow it down, it is something that our analysis suggests that we can do where we can build a force that is capable of deterring by denial.

The CHAIRMAN. What specifically aren't we spending money on now that, in your analysis, do we need more aircraft carriers? Do we need more ships? Do we need more planes? What aren't we spending money on that could get us to this magical place of complete deterrence?

Dr. PETTYJOHN. It is not complete deterrence. Deterrence is always, you know, a process and something that is in the eye of the beholder. In the near term, I think the biggest areas where we could improve are long-range munitions of various types. There are some of these in the fiscal year 2022 budget but not enough, in my opinion. Anti-ship missiles, anti-radiation missiles, anti-armor area effects weapons, and they make the capabilities that we have much more effective. We also could improve the resiliency of our forces through relatively inexpensive measures in terms of passive defenses on the bases that we have.

As we look forward, I think we do need to invest in emerging technologies like artificial intelligence and autonomy and use those capabilities to help to ensure that we retain this edge over the long run, whether it is for conducting all-domain operations or—and just to reduce our personnel costs, which are one of the biggest parts of the defense budget.

The CHAIRMAN. Okay. Thanks. And just quickly, Roger has a comment—

Mr. ZAKHEIM. Mr. Chairman, I always enjoy discussing this question. I would just add to Dr. Pettyjohn's list by adding undersea capabilities. And I think part of what the National Defense Strategy got wrong is that it was ambiguous in terms of what we are trying to deter and specifically where we are trying to prevail and was looking to invade mainland China. At least I am not aware of it. But if you are looking at a Taiwan scenario, for example, there are real things we have to do. And we can wrap our arms around that in terms of real budget priorities by emphasizing the list that was just outlined by my colleague, and I would add undersea capabilities there as well.

The CHAIRMAN. Thanks.

Ms. Smithberger, do you have any comment?

Ms. SMITHBERGER. The only other thing I would emphasize is as you were saying in your remarks, I think we need to be focusing on hardening our systems when it comes to cybersecurity risks as well. I think that is where we have dividends in helping our whole economy.

The CHAIRMAN. Thank you.

Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman. I have never met Dr. Pettyjohn before, but I like the way she thinks. I agree with her opening statement and answers to her questions, so I am going to leave her alone. I got no place to go but down when it comes to what she was saying.

Roger Zakheim, do you believe the President's budget request is sufficient to prevail in a conflict with China?

Mr. ZAKHEIM. I do not, Mr. Chairman.

Mr. ROGERS. And, Ms. Smithberger—

Mr. ZAKHEIM. Mr. Ranking Member. Excuse me.

Mr. ROGERS. I like the way it sounds, though. Go ahead.

Ms. Smithberger, you made the comment that you—and I understand there are a lot of critics of the LCS [littoral combat ship] on both ends of the Capitol. But you made the point that you thought it should have been a project that was killed earlier. But we have been talking here about the real threat in Taiwan with China trying to militarily take control. Were that to happen, what would we do in those shallow waters if we didn't have the LCS? What other option would there be?

Ms. SMITHBERGER. So I think what we learned very early in the LCS program is that a lot of our assumptions about how it was going to function weren't going to work, that we weren't getting the kinds of manning concepts that we were expecting to have, that we weren't getting the kind of survivability and reliability. So it is not that it is not a capability that we need but that this was not a platform that was actually serving our needs.

Mr. ROGERS. So you don't think it would have achieved that goal in shallow waters around Taiwan with its shortcomings. Is that what I am hearing?

Ms. SMITHBERGER. That is something I have concerns about, particularly I think across the platforms that we are buying when we have so much complexity, that we are not having the kind of reliability that we need to be as lethal as we should be.

Mr. ROGERS. Yeah. And I agree with that observation, but until we get it, I think we have got to have that platform because what we are hearing from our COCOMs [combatant commands] is pretty ominous, particularly when it comes to that area, and I think it is imminent. So I think we have to be able to use that capability until we have got something better to replace it.

You heard the chairman, Mr. Zakheim, make the point that we have either got to alter our strategy or alter our spending. Do you believe we have the right strategy now, and if not, what is the alternative?

Mr. ZAKHEIM. I believe the 2018 National Defense Strategy is the right strategy. The Pentagon, as was outlined by me and others here, needs to do a better job of executing against that strategy, both in terms of the operational concepts that would develop it and the resources and capabilities that we are discussing here. I agree with the chairman that if you aren't willing to resource that strategy, then come up with an alternative. My own view is that we got it right in 2018, and we need to execute.

Mr. ROGERS. Great. That is all I have got, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you.

Mr. Larsen.

Mr. LARSEN. Thank you. Thank you, Mr. Chairman.

I think for Dr. Pettyjohn, on the budget, is this an everything problem, or is it the right investment in talent, in people, in skills, or emerging technology, or is it surface ships? Is it subsurface

ships? Is it aviation? Is it an everything problem with the budget, or are there just—are there gaps, in your view, in the defense budget based on your exercises? You know, we ought to be doing X but not Y, more of X and less of Y.

Dr. PETTYJOHN. Thank you. It is not an everything problem. There are gaps, and there are a lot of things that I think are worth commending within this budget. There just need to be further shifts to bring it in align with a high-end deterrence strategy which would be consistent largely with the 2018 NDS if that is the direction the Biden administration goes in. They need to continue to, as my colleague on the panel suggested, expand undersea capabilities, invest in unmanned systems for the future, next-generation air dominance, figuring out how they are going to develop intelligence, surveillance, and reconnaissance [ISR] systems to operate in highly contested and denied environments. Some people have ideas for autonomous networks of mesh UAVs [unmanned aerial vehicles] that would do this, or perhaps you need a penetrating ISR aircraft, but that is a critical piece of helping the service to close kill chains, in addition to buying a lot more munitions than we have. If we have the right munitions on a lot of the platforms that we have today, they are much more effective.

Mr. LARSEN. Yeah. Thank you.

Ms. Smithberger, your testimony is more of a criticism, which is all legit. But on the same question, where do you think we ought to be investing in the budget?

Ms. SMITHBERGER. I would agree with the number of the areas that some of my colleagues have emphasized, but I think a lot of what we focus on is really, how are these systems acquired? And I think we just want to make sure that we are doing this in a way that we are buying systems that are going to be reliable in serving our needs. I think the Department has had a lot of trouble acquiring technology over the years that it has made it difficult for us to have the kind of insights that we want to have.

Mr. LARSEN. Yeah. Thinking ahead, I am not trying to make the ranking member's argument, but let's assume that the budget is too low and that we need to invest in sort of things that we don't want to invest in in order to get to where we want to be. Anyone on the panel believe that Congress would allow—after we achieve that magical state, anyone on the panel believe that Congress would allow us to cut the things that are legacy? Roger. I am sorry. Mr. Zakheim.

Mr. ZAKHEIM. Congressman—

Mr. LARSEN. Because I don't, by the way.

Mr. ZAKHEIM. I know better than to opine what the Congress would and would not allow for. That is based on some years working for Members like you. But I do think you have a better shot that when you take platforms out of the inventory, there is a real capability that you can point to you will replace it with. And I think the problem we are facing, and I know the chairman doesn't like the language of legacy systems, which I agree with, is that we talk about things we—capabilities we want to remove, and we don't have a clear idea of what is going to take its place. And if we do, it often only exists on a PowerPoint slide. I think if we can get

after that problem, you might have more support in this body for those changes.

Mr. LARSEN. I would note in your testimony, in footnote 18 on your PowerPoint slide, you said rarely does the Pentagon deliver the replacement on time or on cost, which is actually the problem that we are faced with, not that it is on a PowerPoint slide. That should be—should have been the headline in your testimony.

Mr. ZAKHEIM. Congressman, I am heartened that the footnotes were read, especially by a Member of Congress, but I—

Mr. LARSEN. Be careful about what you put in a footnote.

Mr. ZAKHEIM. Well, no. I stand by it. But the reality is, for all the problems the Pentagon has with doing things on time and well, it is the best we have got in the U.S. Government, and it is the only pathway we have.

Mr. LARSEN. All right. I have other questions, and I apologize for not getting to them. I would just note—and I made this point before—my definition of a legacy system is something that the Pentagon doesn't want to do, but Congress won't let them stop doing it.

The CHAIRMAN. Thank you. The gentleman's time has expired.

Mr. Wilson is recognized.

Mr. WILSON. Thank you, Mr. Chairman, and welcome back, Roger Zakheim. I thank the other witnesses too, but you need to be aware: Roger was a very effective staff person here advising many of us on key issues and making such a positive difference. And so we are very happy for your success to be director of the Ronald Reagan Presidential Foundation and Institute, and I am confident you will bring the same level of success as you have from your service here.

With that, a question for you. And that is: The Biden administration budget request continues the trend of biasing air and naval resources at the cost of the Army, despite the reality that any near-peer conflict would be all-domain. If left unchanged, the Biden budget request would force another cut of 1,000 soldiers to the Army's Active Duty force and cancel 9 combat training center rotations. If this trend continues as the result of the inadequate top lines, what are the likely consequences to Army readiness?

Mr. ZAKHEIM. Thank you, Congressman, and it is great to be with you. I always enjoyed sitting behind you and bantering during a hearing.

You know, you are hitting on a key point, which is the so-called choices they have to make in this budget because the ceiling on top line is going to take end strength and capability out, particularly the Army. And I will make two points here, Mr. Wilson. Number one, you know, this is something that we all experienced during the operations in Iraq and Afghanistan where, at that point, whatever reason, we did not have end strength to sustain what the President [inaudible] needed.

Now, nobody wants to get into another Iraq and Afghanistan, and I think the culture and wisdom is one that we should avoid that at all costs, but to at least have an Army that could deploy if you need it and sustain it in such a fashion that we are not asking too much of those who serve I think is a responsible approach.

A 3 to 5 percent growth would allow you, perhaps, to maintain that number.

The second thing I would say, and then I will wrap up, is the Chairman of the Joint Chiefs before this committee said that the budget has a bias toward future operating environment, and I think this committee needs to unpack those words, which is we are absorbing risk in the near- and midterm through this request, and in some ways, it reflects the concern you outlined in your question.

Mr. WILSON. And thank you for that response. And I am very grateful to represent the training facilities of Fort Jackson, and I know what great work is done there to protect American families.

And, Mr. Zakheim, there is bipartisan commitment that countering China's military buildup, the largest peacetime military buildup in history, this requires historic investment in the Pacific theater. Yet the Biden defense budget halves INDOPACOM's [U.S. Indo-Pacific Command's] top priority, reducing the crucial missile defense system to protect Guam, to protect American families of the patriotic American territory. It also omits funding for the Hawaii Homeland Defense Radar. It appears that the Pacific defense initiative funding in this budget request fails to adequately fund critical joint and enabling capabilities and, instead, prioritizes platform-centric procurement that should be funded elsewhere in the budget. How should the committee redirect this Pacific Deterrence Initiative spending provided that the budget request to ensure it meets the threats?

Mr. ZAKHEIM. Thanks for that question. First, this committee, the chairman and the ranking member, really deserve a lot of credit for pushing the Pacific defense initiative. PDI [Pacific Deterrence Initiative] is something that—classic case where the Congress put forward an important project, and the Pentagon adopted it.

In terms of what the Pentagon was thinking by not funding those key priorities like you have highlighted, Guam and Hawaii and the missile defense there, it could be they were betting that the Congress would do it for them, and they could shoehorn in other programs that they thought they might not have room for in the budget. I am sure the members here have seen that once or twice in previous requests. It happens both in Republican and Democratic administrations. The short answer is, Mr. Wilson, I would recommend maintaining what the administration requested and making sure we have those investments to protect Guam and Hawaii.

Mr. WILSON. And I would like to point out that you have already indicated that the 2018 National Defense Strategy should be followed through to address the instability that we see around the world, whether it be the instability, the hasty withdrawal, the potential for mass slaughter in Afghanistan. We have got the circumstance of China expanding its influence in the South China Sea, threatening Taiwan, and then Russia sadly occupying parts of Moldova and Georgia and occupying parts of Ukraine with 14,000 persons killed. We need to be ever vigilant. And I want to thank you for your efforts, and I yield back.

The CHAIRMAN. Thank you.

Mr. Langevin is recognized.

Mr. LANGEVIN. Thank you, Mr. Chairman. I want to thank our witnesses for your testimony today; in particular, Mr. Zakheim.

Great to see you again. I appreciate the work that you do at the Reagan Institute.

Let me begin on an issue that is important to our national security relating to climate change. So, in last year's NDAA [National Defense Authorization Act], we directed the DOD to update its 2014 climate change adaptation roadmap and include an implementation plan to mitigate nine previously identified effects of extreme weather and rising sea levels will have on military installations. So this plan would address changing energy demands, installation resilience, and the resilience of strategic assets.

So, Ms. Smithberger, how could a climate change adaptation and implementation plan reduce the DOD's financial pressure?

Ms. SMITHBERGER. It is a great question. So I think this is going to be pivotal. We are already seeing the billions of costs that we are seeing to our different installations by not adequately addressing climate change, so I think this is one of the instrumental areas where the Department really needs to be planning for the future because these are the last things that we want to be losing money on. We want to be, you know, prioritizing as many dollars as possible to our capabilities and not to rebuilding things that we could have protected.

Mr. LANGEVIN. Yeah. Couldn't agree more. And for the record, I really do applaud the Department for its plan to release a climate change plan soon, but it still needs to update the adaptation roadmap and provide an implementation plan so that we can act now to mitigate the effects of extreme weather down the road.

So I want to look at another area I see a disturbing trend that really deeply concerns me on research and development [R&D] spending. So, in 1996, the U.S. spent \$8 for every \$1 that Russia and China spent on research and development. Now, we outspend our adversaries by 6 cents. So while I am happy that the administration is investing in R&D with the highest funding level to date, I have to say that I am disappointed that within that top line, we have actually cut basic and applied R&D accounts. That is that early-stage research that is done, for example, at DARPA [Defense Advanced Research Projects Agency] and also at colleges and universities.

So, Dr. Pettyjohn, should we invest more in early-stage research? And, if so, by how much? And what are the effects of not properly funding R&D?

Dr. PETTYJOHN. Thank you, Mr. Congressman. Yes, I think we do need to be investing in R&D and, in particular, science and technology, which are the most advanced capabilities. It will lead to that. So that is incredibly important for the Department, as it looks to the future, and the Department also needs to work on continuing with the process that has been underway in terms of reforming acquisition and potentially even the PPBE [planning, programming, budgeting, and execution] process so that it can better tap into the private sector, where a lot of this research is undergoing as well, and bring in new capabilities at speed and scale, overcoming the valley of death problem that exists today.

Mr. LANGEVIN. Dr. Zakheim, did you want to add something?

Mr. ZAKHEIM. Just real quick. I agree with what has been said, but it happens to be what you are focusing on. Those S&T [science

and technology] accounts, the basic research, is where the private sector is not operating. That is fundamentally the place where government is able to make investments and are willing to take some risk in a way that private entities will not be able to do because it is too much risk and unsure whether they will be able to return a profit. So I think you are right to highlight this reduction because no one else will do it.

Mr. LANGEVIN. Yeah. In addition to that though I would say that if the private sector knew that government would be purchasers of the capabilities that they would develop, I think they would be more likely to venture into those areas, which would help get and buy commercial-off-the-shelf, while at the same time serve as supporting private sector R&D enhanced capabilities.

Mr. ZAKHEIM. Completely agree.

Mr. LANGEVIN. So thank you for that input.

Ms. Spanberger—Ms. Smithberger, in your testimony, you mention that newer weapons systems are too expensive to upgrade and will quickly become irrelevant legacies. How can building open software architecture systems avoid costly upgrades? I think we are too hardware centric right now, and we really do need to be more software centric, but what is your perspective?

Ms. SMITHBERGER. I think that is a major opportunity for us to be able to have cost savings to encourage competition down the line and for us to take as many market forces as possible to help reduce costs.

Mr. LANGEVIN. Very good. I am not going to have time to get to my next question, so, at this point, I will yield back and submit the other one for the record, but thank you all to your testimony. I yield back, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Lamborn is recognized.

Mr. LAMBORN. Thank you, Mr. Chairman.

Mr. Zakheim, it is great to see you, and I remember when your father would testify here in committee, so like father, like son.

Mr. ZAKHEIM. I hope so, but thank you for that.

Mr. LAMBORN. My colleague and friend, Joe Wilson, already did a great job of addressing the needs with the west Pacific. The Indo-Pacific region the last three administrations, including this one, are now concentrating more on, but we are not really funding everything that is required, and he mentioned some examples of what is not being funded. But do you think we could be doing a better job of working to make sure that Taiwan, which is probably a flashpoint, if there is one anywhere in the world, of potential for World War III, you know, God forbid. It is one of several flashpoints. That we can do a better job of partnering with them so that they could at least give a credible, if not prevent completely, at least prevent a huge cost deterrent to China for any kind of threatened invasion.

Mr. ZAKHEIM. Thank you, Congressman. The short answer to your question is yes, and this—

Mr. LAMBORN. And what would that specifically be?

Mr. ZAKHEIM. Sure. First, I think it is not just hard power, but it is a soft power too. Very important for the Biden administration

to continue to support Taiwan in terms of policy statements and the like.

On the military side, you have got to be cognizant of what Admiral Davidson said, that this is a near-term problem. Someone on this committee has characterized this as the Davidson window, and so making sure that we have capability today, and we're not taking capability out of our Navy and that it is present; it is kind of peacetime missions, but we know it is—this is the center of gravity for the competition is the key piece that we need to invest in. So making sure our assets are present in the region and making sure we are exercising in the region, demonstrating that we have the capability and the will to defend Taiwan should such a scenario be required, but, most importantly, to convince the Chinese Communist Party that they shouldn't exploit this window that Admiral Davidson shared with this committee.

Mr. LAMBORN. Well, I want to be real specific about how we actually get that job done. Ms. Pettyjohn talked about long-range munitions. I think that that is a piece of the puzzle. You mentioned earlier underwater capabilities. I think that is a piece of the puzzle. What about anti-ship mining technology, can we do better there? Anti-ship missiles, can we do better there? And short-range air power?

Mr. ZAKHEIM. I think all of that is important. I mean, the anti-access aerial denial issue has only become more complicated since the time I had the chance to work with you when I was on the staff of this committee. It is one that is quite a complicated thicket. Our fighter aircraft is challenged in the Taiwan scenario. That is no secret. We need to be able to have long-range munitions to deter any Chinese aggression there. So all the things that you have outlined are spot-on, but I want to emphasize it is so important that this is not something we are communicating that we can handle in 5 years' time or 7 years' time outside the FYDP [Future Years Defense Program]. We need to demonstrate we have the will and capability today, and the budget put forward before this committee needs to reflect that too.

Mr. LAMBORN. And, lastly, changing gears entirely, NATO [North Atlantic Treaty Organization] and Russia. Can we be doing a better job of providing to our partners and allies in Europe, Eastern and Western Europe, what it takes to give a huge, credible deterrent against an aggressive Russia?

Mr. ZAKHEIM. Congressman, I am glad you raised Russia. It seems, you know, to be a far second, and it should be kind of a closer second in conversations, particularly in this window that I am discussing. Yes. You know, there seems to be this kind of incongruence between allies that have the will but don't have the capability and allies that have, let's say, the capability or the means but don't have the will to defend themselves, and that is really the challenge within NATO. Poland should be able to have land-based capabilities that we sell to them. We need to do more with the Balts in the same vein. There are foreign military sales opportunities that I am hopeful this administration will deliver for those allies willing to defend themselves. And then, of course, particularly when it comes to Russia, exercises, joint exercises in that region, are a very important message and form of deterrence.

Mr. LAMBORN. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you.

Mr. Khanna is recognized. Is he here? You need to unmute yourself, Mr. Khanna. At least that is what my staff is telling me. Actually, I don't think we have Mr. Khanna. I think I am misinformed there.

So Ms. Slotkin is recognized for 5 minutes.

Ms. SLOTKIN. Pardon. I apologize.

Mr. KHANNA. I am here.

Ms. SLOTKIN. Oh.

The CHAIRMAN. Sorry. A voice from beyond.

Mr. Khanna, you are with us?

Mr. KHANNA. Yes. I have been here. Was I not on—was I on mute?

The CHAIRMAN. Yeah. I believe you were, but you are now recognized for 5 minutes. Go ahead.

Mr. KHANNA. Okay. Sorry about that.

Mr. Chairman, thank you for convening this hearing. I would like to start by noting that, you know, we have one person from the Reagan Institute who wants an increase in the defense budget; another witness who is saying, well, we want more money, not calling for an increase specifically; and only one really witness who is calling for a decrease. So I hope for future hearings that we will have a greater diversity.

The CHAIRMAN. Will the gentleman yield for just one moment?

Mr. KHANNA. Sure.

The CHAIRMAN. Just for the record, that was not our intent. Okay?

Mr. KHANNA. I am not questioning your intent.

The CHAIRMAN. I am sorry. We are pausing your time. I will just get through this. I can't exactly say how that played out, but it was not our expectation. Our expectation actually was to have one person who said we could reduce it, one person said we increase it, one person to defend President Biden's budget. We had a heck of a time finding anyone to defend President Biden's budget, just as you would have had a heck of a time finding anyone to defend President Trump's budget.

Nobody—I have been through four Presidents in 25 years. Nobody ever supports the budget that you actually have to write down. Okay? You know, we could all theoretically talk about this, that, and the other stuff, but if you are the unfortunate soul who has to actually put it in writing, you know, we have done this back and forth. Nobody has ever defended any President's budget. So, for the new Republicans on the committee who think, oh, see, that proves that Biden's budget is terrible. No. It proves that every single President's budget, because it actually has to be written down, it has to add up, you have to have the details, you don't have all of that comfortable gray space to play around in gets more difficult. So it was our hope to have this be more balanced. And I do apologize to the committee for not having achieved that, but it was not our intent for this to play out the way it did.

But that is why we have got you, Ro. You can carry all the weight on the other side right now. So we will restart your time.

Mr. KHANNA. Mr. Chairman, I have great respect for your integrity and your leadership, and I certainly don't want to imply that you or the staff would not have a balanced hearing. That was not my intent. My intent is just that somehow we don't agree on the President's budgets, but the defense budget keeps going up and up and up. It is sort of like the law of gravity, an immutable rule in Washington other than when President Clinton was there and President Bush, Sr., and I do think there are many organizations who are about strategic ways of reducing the defense while maintaining a strong national security.

Let me begin with Mr. Zakheim. Mr. Zakheim, I appreciate your testimony. I have read your statement very carefully. What was President Reagan's budget inflation adjusted at the peak of the Cold War for defense?

Mr. ZAKHEIM. Well, what I have here in my notes is, in 1985, it was about 5.7 percent of GDP [gross domestic product]. That is the best I can answer you now.

Mr. KHANNA. So \$610 billion inflation adjusted; that would be about \$110 billion. One of the things—I disagree very strongly with President Reagan, but one of the things I often say is that he confronted a challenges that were unprecedented with the Cold War and had a huge challenge of national security.

Do you really believe that we have more national security challenges today than President Reagan confronted in 1985?

Mr. ZAKHEIM. I do, sir. And here is why: The challenge with Soviet Union best I can understand was fundamentally military challenge. We have a similar military challenge facing the Chinese Communist Party, but what the Chinese Communist Party has that the Soviet Union does not have or did not have is this overwhelming economy that is rivaling and will potentially outpace the U.S. economy.

So they have the combination of economic power and military power that the Soviet Union did not possess. In fact, as you know—

Mr. KHANNA. I don't want to cut you off because I have a time limit and I would love to engage in the conversation more broadly. I disagree that China poses a more serious military threat than the Soviet Union did in the 1980s. I think George Shultz would disagree. Unfortunately, he has passed. Economically, I agree with you, but I think the—to think that China either is spending as much militarily as the Soviet Union was or poses a greater threat than what the Soviet Union did I think is to underestimate actually what President Reagan confronted, but it is a longer conversation.

I just do want to point out that the budget is about \$110 billion more that it was at the peak and height of the Cold War. And, you know, I want to turn to Ms. Mandy Smithberger because you have done a lot of work, you were very helpful with our TransDigm hearing where we had a company that was basically ripping off taxpayers in a bipartisan way with the chairman's leadership, at the time Representative Meadows and Representative Jordan's leadership. We got them to pay back \$16 million to the U.S. Government because they were monopolizing industry parts and then charging a thousand percent more to the American taxpayers.

Could you talk about the defense contractors? People often say, where can we cut? And I agree; look, there are people on the committee who disagree with my view on not needing to modernize nuclear weapons. But could you talk about the place where we can cut, which is the defense contractors? The CEOs [chief executive officers] there make \$20 million a year. They are not the ones wearing the uniform, risking their lives, you know. It reminds me of "All My Sons," the Arthur Miller novel. The people who are making the money aren't the ones risking their lives. There are a lot of Members on this committee, Honorable Members, who have risked their lives. I have tremendous admiration for them, but the defense contractors making \$20 million a year, CEOs; average executive, \$5 million a year. Why can't we cut that? It is outrageous, and how much would we save?

Ms. SMITHBERGER. So we could save tens of billions of dollars if we reduced our reliance on the what we refer to as the shadow workforce or service contractors. And I think if we had a goal of trying to acquire systems that are less complex, that are easier to maintain so that our own personnel can maintain them, that we would be both more lethal and more effective as a consequence. And in the TransDigm instance, I would say that we really do need to strengthen our acquisition laws so that taxpayers don't continue to get ripped off, that we want to make sure that when something is considered a commercial item that is truly commercial that is sold in like quantities on the market in too many instances, suddenly something is characterized as commercial, then the price goes up a 100 percent, and we are not able to challenge that information to make sure that we are paying a fair price. These are small things that add up, and these are not areas that we should be wasting money.

Mr. KHANNA. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Wittman is recognized.

Mr. WITTMAN. Thank you, Mr. Chairman. I would like to thank our witnesses for joining us today.

Mr. Zakheim, I would like to start with you. I look at this year's fiscal year 2022 budget and see that all four of the service branches have a reduction in end strength. And, listen, we know the Air Force because of personnel moving over to Space Force, their reduction is smaller, but they still have exacerbated issues with pilots and maintainers to make sure they have what they need.

The Marine Corps has kind of accepted a smaller and leaner force, but, listen, the Commandant still, I think, speaks about how the Marine Corps has to reconstitute itself in order to make sure they are relevant in the areas that they need to be today. We talk all the time about a Navy that has to grow in capability and capacity, yet we see a shorting of at-sea billets in the Navy. So, you know, we are seeing the two curves going in different directions. More platforms, fewer people operating those platforms. We see that exacerbated with collisions and also the problem of burning out our most talented with long deployments, and we have seen double-pumping deployments.

I mean, I can go on and on about those particular issues, and up until this year, the Army's billets continue to grow. So the question

is, is in relation to what we face, the challenges in the Indo-Pacific, are the budget priorities right with where we are in reducing end strength in these different areas? Are we truly tailoring our forces based on end strength for the next fight? And do we maybe need a little more drastic resource reallocation based on us still hanging over from a CENTCOM [U.S. Central Command]-centric directive that the Department of Defense has continued to put in place for now almost two decades?

Mr. ZAKHEIM. Congressman, great question. I think when it comes to the CENTCOM-centric mentality, it is one that this committee I know has exercised oversight over, and it needs to continue. And that plays out both on the issues you have outlined in terms of the demand for ground forces, for example, versus investing in end strength across the Marine Corps, Navy, and Air Force, as you have outlined. And, of course, it is not limited to that.

ISR requirements, the movement of assets, aircraft carrier comes to mind, out of INDOPACOM into CENTCOM, all of that needs to be revisited. And it is an area of the National Defense Strategy that the Pentagon has not done enough work on, which is not how do we reduce our presence or capability in the Middle East, for example; how do we do it differently so the high end assets go to INDOPACOM? I would align with what you are saying and highlight that point.

Mr. WITTMAN. Very good. Thank you, Mr. Zakheim. I want to now talk a little bit more in depth about the issue of the total picture of our Nation's defense. President Eisenhower once said, you will not find it difficult to prove that battles, campaigns, and even wars have been won or lost primarily because of logistics. You know, we all get focused on combat systems and all those fancy elements, but in order to make things work, logistics is key.

We have a regular Army now nearing 481,000 soldiers, and there is not a proper sealift capacity. So, if you have the best Army in the world and you can't get them to the fight, the question is, are we really doing the things necessary to achieve our strategic goals to deter China?

And I know that sealift is technically a Navy requirement, but the Navy never really has been interested in that. It is kind of like: Hey, we are in the warship business. You know, we are going to be at the fight. We really don't care how everybody else gets to the fight.

And I am just being brutally honest about what I think things are. The question now becomes, shouldn't the Army be a little more involved in advocating to say, whoa, whoa, wait a minute. What are we doing about logistics? What are we doing about making sure that we can get to the fight, that we have our soldiers at the fight, that we have our equipment at the fight? Because it seems like, you know, everybody is pointing fingers at each other. You know, logistics is yours. Sealift is yours. Airlift is yours. And nobody seems to really be focused on it, yet the service branch that is most at risk to me is the Army. Can you comment on that?

Mr. ZAKHEIM. I think it is a great point. When I was on the NDS [National Defense Strategy] Commission, the most impactful briefing didn't come from Central Command, didn't come from at the time PACOM [U.S. Pacific Command]; it came from TRANSCOM

[U.S. Transportation Command]. Because as you pointed out, they have to figure out how to get our capability to the fight. That is why forward presence is so important, but I think—yes, I agree with you. I think the Army needs to internalize it, but TRANSCOM is where I would go. And in the end, we rely on contractors to do this. I mean, as you know, it is something that the military departments have looked outside the force to answer.

Mr. WITTMAN. Yeah. Thank you, Mr. Chairman.

I yield back.

The CHAIRMAN. Thank you.

Mr. Carbajal is recognized.

Mr. CARBAJAL. Thank you, Mr. Chair. And I want to thank all the witnesses for being here today.

When I came to Congress, I was appalled at how little comprehensive audits had been done for the Department over the years, and oftentimes, over the years, I would hear about all these skirmishes about wanting to get audits for various agencies for the Federal Government, and it was just appalling for me to hear all the spending we do in our military, but yet we weren't as committed to making sure all our spending was being done in the most appropriate way. So it did catch my attention.

Ms. Smithberger, with the Department having undergone its third annual audit in 2020, I would like to know from your independent analysis the most important lessons learned so far? In addition, could you speak further to the recommendation in your testimony on how the Department can make changes to service contracting that would result in cost savings without compromising military readiness? And I know you touched on that a little bit, but if you could elaborate a little bit more, that would be great.

Ms. SMITHBERGER. Thank you so much for the question. So, on the audit, I think one of the things that we are learning is that we actually have very weak internal controls, that we are not always able to keep track of everything that we have purchased. And I think—a theme that we have seen throughout this hearing is that we focus so much on platforms, that we often forget about the other management issues that need to be a priority at the Department to make sure that we are being responsible stewards of taxpayer dollars.

When it comes to service contracting, one of the biggest challenges that we have is that we actually don't track the data about how much we spend on service contracts, and we haven't set up a good process for the Department to make smart decisions about when to outsource something versus when to do something else. And never mind having a process; what if we just shouldn't do it period?

I think the other thing we are seeing over and over is that we are asking the Department to do too much, and I would be happy to work with you on some of the ways—we thought the Army was doing a lot of great work on helping to build systems where we could make smarter decisions about service contracting, and, unfortunately, those have really fallen apart.

Mr. CARBAJAL. Thank you. I would submit that as committed as we all are to our national security, we are remiss in not being as committed to making sure that we have more accountability and

transparency in how we go about our spending. So I really appreciate your feedback.

Dr. Pettyjohn, what are the most important investments in fiscal year 2022 budget that provide assurances to our allies?

Dr. PETTYJOHN. There are a number of investments that provide assurances to our allies, and I think you have to think of assurance as across time, not just immediately. Our allies have become accustomed to the fact that we assure them by being there with bases or military forces that rotate forward. And we are doing that, and we are taking steps in the fiscal year 2022 budget to improve the resiliency and capabilities of the posture in Europe to a lesser extent than I would like to see in the Pacific as well, but our allies should also be assured by the fact that we are taking steps to modernize and to put in place a force that would be able to prevail in a conflict should one occur because that strengthens deterrence.

Having forces that are not capable that are forward have been shown, what is often called a trip wire, are not actually effective deterrence. So there are a number of steps that we are taking here that should be quite reassuring to our allies.

Mr. CARBAJAL. Thank you.

Mr. Zakheim.

Mr. ZAKHEIM. Quick addition, sir. Resiliency, right, distributing the force. So not pocketing in one area, and I think our nuclear modernization is key. The extended deterrence we provide both to our allies in Europe and in Asia is critical for assurance.

Mr. CARBAJAL. Thank you.

Dr. Pettyjohn, in your perspective, how can fiscal year 2022 budget better balance the needs to preserve present readiness with long-term goals, including investments in emerging technologies? In addition, are there any programs or areas that you think the Department is overinvesting in?

Dr. PETTYJOHN. Thank you, Congressman. I do think preserving readiness is important. You have heard Generals Berger and Brown argue that we need to shift our mindset about readiness. We obviously don't want a force that is not prepared for the potential missions that it might be called on to fight, but we have gotten in the habit of considering ready forces ready to deploy and sending them on purely presence missions or to the Middle East to deal with insurgents or terrorists, and as we look to focus on great power competitors—

The CHAIRMAN. I do apologize. The gentleman's time has expired. So we will move on.

Dr. PETTYJOHN. Sure.

The CHAIRMAN. Mr. Kelly is recognized for 5 minutes.

Mr. KELLY. Thank you, Mr. Chairman. And thank all you witnesses for being here.

I just want to go back to an earlier point that you made, Mr. Zakheim. China is much more dangerous in my opinion than Russia ever was, and it is not just because of their economy; it is also because of their diplomatic efforts. Russia never had good allies that weren't forced to be allies. China is doing a much better job at at least trying to incorporate allies. We are still way ahead in that game, but China is improving.

Information, which is part of the DIME [diplomatic, informational, military, and economic], they also are very far advanced in that area, much farther and greater, I think, than Russia was in the height of the Soviet Union. Also, their military and obviously their economic.

I do want to talk just a little bit—in this budget, the President's budget, there is \$617 million for climate change. I am a climate change—I am all for climate change, but not in the military budget. That is \$617 million that does not go to building ships, to research and development, to paying soldiers, to maintaining equipment.

So do you consider that part of the defense budget when it is not for defense?

Mr. ZAKHEIM. Thanks for that question. I don't know specifically where that \$600 million is going. I do think it is important, like, when you think about the case of the Arctic, that if climate change is having an impact there, which it is, that our military needs to be ready to make that another area for the competition. It is clear that is where Russia is seeking to exploit. That to me is an important nexus point between climate change and the U.S. military.

Last point on climate change, sir, it is a new mission. It is one that this administration wants to emphasize. So we need to be clear in how that is going to impact policy and budgets.

Mr. KELLY. And I am fine with doing that. I just think that the defense budget is not the place to do that. There are other places. I want to talk a little bit—we have always fought the last war, been prepared to fight the last war. If you go back to World War II—I mean, World War I, you know, we didn't want to use tanks. We didn't want to use planes because they were unproven. We just wanted to use grunts on the ground. If you go back to World War II, we had all these great battleships, but we were not prepared for the carrier war. If you look—every one we transfer, and so my question is, we have to be ready and prepared to fight tonight. That is maintaining legacy systems, the systems we have. We cannot divest in those until we have a true product that replaces them. I see right now we are managing that risk, but I think people are talking about the future about things that we may have, but we don't have yet. We have to build real ships, real airplanes, real drones, real—all those things, but we are talking about concepts that people aren't doing.

So are we really preparing for the future? Are we investing in the right things? Are we replacing systems—are we replacing them when we have something to replace them with, or are we replacing them with ideas that may or may not come to fruition?

Mr. ZAKHEIM. I agree with those comments, sir, and I think you have to—I will bring up General Milley's testimony before this committee that this budget has a bias towards future operating environments, that is to say that they are going to absorb risk. This budget absorbs risk in the near-term. And when you think about the Davidson window, that could be a strategic mistake on our part because that may be where the Chinese Communist Party would seek to exploit. And if they do seek to exploit in that window, we are going to need the types of capabilities that are in the inventory today, and we ought to be careful not to remove them unless, as

you point out, there is something else that can be in the inventory to replace it.

Mr. KELLY. And the final point I just want to make is I think we have to be prepared to fight today. I think that is necessary, but I also think we have got to redo the way we acquire stuff in the military. We acquire ideas. We need to go after capabilities, be very specific, and we need professional contract lawyers not generals running the acquisition program who take them to task and make them—if they say they are going to deliver this for X dollars, then they deliver that, or we don't pay the contract. But we also owe a duty to our industrial base that when we ask them to do something and commit for them to build something, we can't then withdraw the contract and lay people off by the thousands because we changed our mind or we want something new and more shiny.

So how can we reinvent the acquisition system to get professionals who are doing the contracts who get us the products that we want and deserve at the cost that we agree to?

Mr. ZAKHEIM. Well, I am going to channel President Reagan here. Competition is the only thing that increases quality, all right, and increases the quantity, right, with the price going down. That is where I would go follow.

The CHAIRMAN. Thank you.

Ms. Slotkin.

Ms. SLOTKIN. Thanks to the witnesses for being here. Mr. Zakheim, good to see you again. I guess if you can help me understand you're calling for this 3 to 5 percent increase in the top line. Can you fill in, show your math a little bit? Where did that number come from? What is the basis of that?

Mr. ZAKHEIM. Thank you. It is great to see you, Representative Slotkin. It is from General Dunford and Secretary Mattis, and it was actually their testimony before this committee what was required to sustain the previous defense program, that is the program before we had the 2018 National Defense Strategy. On top of that for this year's budget, you have the unfunded requirement, as well as deeper investments in the RDT&E [research, development, test, and evaluation] accounts where I have emphasized and then holding off on the legacy platforms this budget would take out in terms of ships and aircraft and the like. You do that and you quickly go to the kind of end pocket of that 5 percent real growth. You are way beyond \$50 billion.

Ms. SLOTKIN. And so, you know, if the top line weren't raised—I mean, I think we can probably both agree and probably all of our witnesses agree that it is not like there is not fat in the Pentagon budget, right? There is fat in there. There is no way. So, given that you are not in government, you are not a HASC staffer any more, tell us what you would do if you were king for the day and had to make up that 3 to 5 percent by cutting from existing fat?

Mr. ZAKHEIM. First, I would thank you for the opportunity to be king for the day.

Ms. SLOTKIN. You are welcome.

Mr. ZAKHEIM. It doesn't happen anywhere, especially my home. But it is manage radically inside the Department and let the Office of Management and Budget [OMB] and the President of the United States publicly tell the Secretary of Defense that whatever you

find, you get to reinvest. And this has been a consistent failure—you have seen in your time in government where the Department of Defense was told to find savings that they could reuse, both Republican and Democratic administrations, and ultimately OMB said, “I would like to take that back.”

Where would I put it? R&E [research and engineering] is a key place. Obviously, some money towards readiness.

Ms. SLOTKIN. No. Where would you take it from? We all have ideas of where we would put it. It is taking it that is the problem. So you are not up for re-election here, so why don't you tell us where you would take it from.

Mr. ZAKHEIM. All right. I would go into programs of record, and I would compete the hell out of them. The program of record is the single most—I think the biggest obstacle towards finding savings and introducing new capabilities. It hasn't been revisited in decades. So take it from the inefficiencies in programs of record. They block new ideas, and they drive inertia and ultimately waste.

Ms. SLOTKIN. You know, I have kind of come to this idea when it comes to, for instance, competition with China. You know, it is sort of like it is them not us. Our system is so bureaucratic, so big, so slow to acquire new technology, so difficult to understand our supply chains, as Mr. Gallagher and I have been looking at, that we are more bureaucratic than China for various reasons. Of course, we are a democracy.

Are there processes at the Defense Department that should be changed in order to save money, not just programs of record, right, a big system, for instance, but processes?

Mr. ZAKHEIM. I think the budget process needs to be changed radically. You have to go back to Secretary McNamara in terms of the process the Department follows today. Now, obviously, I am channeling a different Zakheim here in terms of expertise, but it is mind-boggling that we have \$715 billion budget and we are using a budget process that comes from the 1960s. Fortune 500 companies, small companies, would look at our process and laugh. I mean, the fact that you are preparing a budget 2 years in advance and it doesn't account for any changes in real time because it just doesn't allow for it, immediately to me screams out that that needs to be radically reformed.

Ms. SLOTKIN. Great. Thank you.

And I yield back, Mr. Chairman.

The CHAIRMAN. Thank you. For the members' information, we have got the comptroller, Mr. McCord, coming over to talk to us tomorrow, 11 o'clock, for a briefing on precisely that issue, that 2-year budgeting process. Because when you are talking about innovation's happening a lot faster, and we are losing out on a lot. We do the R&D, we develop the technology, and it is okay, two years from now, we will tell you whether or not we are going to buy it, and it disappears. So we really need to reform that process. The appropriators are incredibly hostile to the idea of reforming that process. They like to control it. But here is where I think congressional control is undermining what we need to do to really spend money efficiently at the Pentagon. So that is a recommendation for tomorrow's briefing, 11 a.m. with Mr. McCord.

Mr. Gallagher, you are recognized.

Mr. GALLAGHER. It has taken us an hour and a half, talking about threats to America, I am glad we finally identified that the appropriators are among them.

The CHAIRMAN. For the record, that is not what I said.

Mr. GALLAGHER. That is what I chose to hear.

Let's talk a little bit about the Davidson window. I wish I would have trademarked the term, Mr. Zakheim, but I am glad that you mentioned it. I assume, based on your comments, that you agree with what Admiral Davidson said in terms of within the next 6 years, the Taiwan scenario could be likely and maybe talk specifically about how you think the Olympics plays in that?

Mr. ZAKHEIM. Thank you, Congressman. And I should have footnoted you on the Davidson window, but yeah. I defer to Admiral Davidson. He has seen it in the ops and intel more closely than I have, but I do think if I am China, the window is post-Olympics. 2022 is going to be a huge propaganda platform for the Chinese Communist Party. Once they get that, the endorsements, the participation, then they will feel the confidence and the risk profile goes down, given that they would have already achieved the Olympics. So I would look kind of after 2022. And I think it brings before this Congress perhaps not within jurisdiction of this committee to really think deeply about what the United States should or should not be doing vis-a-vis the Olympics in China.

Mr. GALLAGHER. I guess for the rest of the panel, do you disagree with Admiral Davidson's assessment, or maybe put differently, do you disagree that it makes sense, regardless of how likely or unlikely you think an attempted invasion of Taiwan is, do you think it still makes sense to plan around that most dangerous course of action by the PLA, if that makes sense?

Ms. SMITHBERGER. Go ahead. Dr. Pettyjohn.

Dr. PETTYJOHN. I am sorry. Please.

Mr. GALLAGHER. Go ahead.

Ms. SMITHBERGER. I think we need to make sure that we are not discounting the power of our allies in those kinds of circumstances, and I think particularly with the Olympics scenario that you are talking about that we should not forget about I think there are going to be a lot of opportunities for people to remember why China isn't their chosen ally for a lot of goals that we all share and how we want rule of law and our international system to work.

So I think there are opportunities for us there in addition for things for us to be worried about.

Mr. GALLAGHER. Dr. Pettyjohn.

Dr. PETTYJOHN. I agree that is a scenario we should be focused on and that we have to balance risk across time, but I think there are many ways to do that that don't mortgage the future because if we focus too much on the present right now, we won't be making the investments that we need to modernize our capabilities and get those leap-ahead technologies.

Mr. GALLAGHER. Since we all agree we should be planning around that scenario, I mean, if you had a minute with the Secretary of Defense, and he asked, what is sort of the one thing we could do to deter, not win the conflict, deter the conflict over Taiwan from happening, what would be that one thing? We will start with Mr. Zakheim.

Mr. ZAKHEIM. In this respect, I think it is a combination of presence and policy. Statements that we are there to support Taiwan, the free people of Taiwan, and, third thing, weapons sales.

Mr. GALLAGHER. Ms. Smithberger.

Ms. SMITHBERGER. I would just reemphasize the policy aspect in that, again, that we need to focus on hardening our systems so that we can show that we are going to be strong against them.

Mr. GALLAGHER. Ms. Pettyjohn.

Dr. PETTYJOHN. Long-range munitions and improving the resiliency of our existing posture in the Pacific.

Mr. GALLAGHER. Great. And, finally, Mr. Zakheim, I thought your response to Mr. Khanna was quite good in terms of, I think, what makes this competition more complex is just the economic component of it. My own view is slightly different. I think the primary threat is neither military nor economic per se, but rather ideological. I think—and I think if you sort of interrogate what the CCP has said recently, they have gone to school on the failures of the Soviet Union and concluded, Xi himself has concluded, that part of the reason they failed was insufficient commitment to the party and its ideology.

And I think the real threat posed by China is that they are offering a model that we may not understand as attractive, but a lot of people around the world could understand as attractive. So that is less of a question, more of a comment, but I would be curious if there are any quick lessons based on your knowledge of Reagan that we can learn about the nature of ideological competition.

Mr. ZAKHEIM. I think it is actually our advantage because I think from the ideological standpoint, freedom wins. And I think that is a lesson from Reagan. He started everything with the Soviet Union talking about freedom and talking about the plights of dissidents before he got into the economic or the military issues.

The CHAIRMAN. Ms. Sherrill.

Ms. SHERRILL. Thank you. And thank you to all our witnesses for being here today.

Ms. Smithberger, I think it was really interesting you pointed out the cost of privatizing so many of the jobs in our military. I was in the military at a time when I think just about every flag officer made an extra star by privatizing some portion of our workforce, and I think we are seeing the results of that now. Over the past few months in talking to sustainment officers and acquisition officials about the amount of risk we are taking on with certain modernization priorities, there are places where we are spending so much time and money shoring up weaknesses today without enough attention being paid to the long-term sustainment costs that these programs are going to incur.

So I think we can all agree that modernization is a critical effort, but I am starting to fear that we are boxing ourselves in by throwing all of our resources at programs that are effectively going to eat our innovation budget in years to come. So can all of you provide your assessment of the DOD's innovation enterprise? Are we investing in a cost-effective way? Are we prioritizing short-term gains at the cost of long-term sustainability?

I just would be very interested in your thoughts in that area. Thank you.

Ms. SMITHBERGER. I will go ahead and go first. So I think one thing I would really underscore is, as we pursue this innovation, something that the Department is starting to emphasize more that I hope Congress will support, is that we get the intellectual property rights for some of these things because that is going to really be key to being able to control costs later down the line, and that is, again, where I think it is important to have some real budget consequences for some of these kinds of programs as well because I think that, without that, we are going to continue to see poor performance, to see programs have huge cost overruns, and that is going to eat into other priorities. I think accountability is just so important.

Ms. SHERRILL. And what do you see as the consequences in program areas that we do not have the IP [intellectual property] rights per our contract?

Ms. SMITHBERGER. So that is where you get the TransDigm kinds of situations where you get companies that are able to buy the suppliers for these different kinds of parts and where we see prices go hugely over cost where we aren't able to get cost or pricing information that we need to in order to be able to control those costs, where we don't have the kind of acquisition workforce that we need and have them be empowered, or probably underinvesting in the Defense Contract Audit Agency [DCAA] as well. I think if you know that there is going to be someone looking over your shoulder, you are going to be a much better steward.

Mr. ZAKHEIM. Just a little bit of disagreement there. I think if we are trying to modernize the force for the digital era, we need to introduce software. Software in the commercial sector is all about maintaining the IP. The way that I think we could incentivize those low prices or lower prices is by having competition in the program of record when it comes to software. I think that is a much better course of action than trying to own the IP and asking DCAA to enforce. I think that has failed us when hardware was the rule for acquisition. I would not recommend it when it comes to software.

Dr. PETTYJOHN. I would just add that, in terms of the innovation enterprise, you see that you want to innovate by encouraging the services to compete and fostering a healthy competition among them, and I think that Deputy Secretary Hicks is attempting to do that, to encourage them to—and reward them with a larger share of the budget if they come up with innovative and cost-effective ideas that make a difference on the battlefield.

I would also point out that the operations and maintenance costs of our older weapons are growing significantly and are one of the big things that consumes a large portion of the budget today.

Ms. SHERRILL. Thank you. And, Dr. Pettyjohn, I can't help but ask if you would just expound a little bit upon your comment that we need to focus on long-range munitions, something really, I think, critical to our workforce in my district?

Dr. PETTYJOHN. Absolutely. In all of the war games I have run, we have run out of munitions, we don't have the right ones, which means we have to put our forces at risk. So we need long-range anti-ship missiles. We need long-range anti-surface missiles and anti-radiation and anti-armor munitions. That means we can

launch strikes from farther away and enhance the survivability of our forces.

Ms. SHERRILL. Thank you so much.

And I yield back, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Bacon.

Mr. BACON. Thank you, Mr. Chairman. And appreciate our panelists today. My first question is to Mr. Zakheim, and then I have got some other general questions for the whole panel. I think the current administration and the previous one has made a very strong case why we need to have a military focused on China. The rising threat to include the economic side of it and the military side, and there is portions of their military that are more advanced than ours, like hypersonic weapons. What concerns me, though, is the actions do not match the words in this administration.

This budget is a 1.7 percent increase in spending, and it was made at a time we had 2 to 2.5 percent inflation. So, Mr. Zakheim, to me, that equates to about a \$5 billion cut. What is the analysis you have there?

Mr. ZAKHEIM. I think your numbers are accurate. If you are not growing, you are falling behind, and particularly in a competition. And that is why today I have advocated for the recommendation from the National Defense Strategy Commission to see that top line not only have real growth, but get this 3 or 5 percent window, I think a lot of the capabilities that my colleagues today have said we need, not just to prevail in the strategy in the Middle East and Europe, we may absorb risk there even at a 5 percent increase scenario, but to at least do what we need to do in the Indo-Pacific, we are absolutely going to need real growth.

Mr. BACON. So, in reality, we are looking at about a 1 percent cut in our defense budget at the time this budget was made. Now this month we are looking at 5 percent inflation, and I saw a number yesterday, 7 percent. We are talking a \$30 billion to \$40 billion cut in real terms if those numbers hold true.

Again, the actions of this administration is not matching the words of trying to get a budget that meets the Chinese threat, and I think we have to make that clear. One more question for Mr. Zakheim. Is our budget taking us in the right direction to sustain our nuclear modernization particularly in the ICBMs [intercontinental ballistic missiles]?

Mr. ZAKHEIM. Thanks for that question. This budget fully funds. It is a \$28 billion towards modernization. I think this committee and no doubt the oversight will do this, look at this Nuclear Posture Review. There is some language in the Interim National Security Strategic Guidance which suggests that the administration wants to rely less on nuclear weapons. My own view from the National Defense Strategy Commission is that it plays an even more important role, given what we are trying to do by focusing on China.

Mr. BACON. Ms. Pettyjohn, you talk about long-range fires. Does the B-21 factor at large with your analysis there?

Dr. PETTYJOHN. Absolutely. Bombers, including the next-generation bomber, the B-21, are important in terms of being able to deliver some of those missiles, although we would be looking at find-

ing better and preferred munitions for most of our platforms as a way of enhancing their capability.

Mr. BACON. I know the Army's been talking about long-range surface-to-surface missiles, there is a basing issue, but where do you see that piece fit into the puzzle?

Dr. PETTYJOHN. I do think that there is an access challenge in the Pacific right now with respect to Army missiles. You do imagine that they could be useful in some situations for hitting fixed targets early in a conflict, but they are reasonably expensive and need to have a lot of range in the Pacific because it is a very large theater.

Mr. BACON. I am the co-chair of the Baltic Security Caucus. So really to any one of the panelists here, are we doing enough to deter for our three Baltic countries? Is there more that we should be doing? Curious for your assessment.

Mr. ZAKHEIM. I had an opportunity to go to Lithuania pre-COVID. Seems like a long time ago, but it wasn't that long ago. Military sales are critical; cooperation on cyber, which this committee led on years ago, continues to be something that they focus on; and then the distributed force out of European Command, some level of presence there makes a huge difference not only in the straight up deterrence by denial concept, but also in the psychology and support and assurance of our allies.

Mr. BACON. Anyone else?

Dr. PETTYJOHN. I would just add that the Army is making improvements, and it is stocking the prepositioned heavy equipment in Europe, but it is still in Western Europe, and it has to get to the east in the event of a conflict. So we could do more in terms of putting heavy Army forces farther or forward to the east and make sure that they have the right enablers in terms of air defenses and rocket artillery that is long-range enough to allow them to overmatch the Russians.

Mr. BACON. I will just close on this point. I have asked the administration to consider some permanent basing options for the Baltics because, ultimately, U.S. flag is probably the most important thing for deterrence.

So with that, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you.

Ms. Jacobs is recognized for 5 minutes. You are muted, or at least we can't hear you at any rate. So, if there is a way to unmute there; thoughts? Go ahead. Nope. Sorry. You have technical problems, and we are not hearing you. We will attempt to resolve those technical problems here shortly.

And, with that, I will recognize Mr. Courtney while we try to resolve those problems. We will get back to Ms. Jacobs if we can.

Mr. COURTNEY. Great. Thank you, Mr. Chairman.

So this year, actually, is the first year of full official production of what I think a lot of the leaders in the Department of Defense have described as the country's number one acquisition program, which is the *Columbia* program. And good news, Ms. Smithberger. The 85 percent design completion before production and lot of prototyping, knock on wood. You know, we are going to see some of the issues that you raised addressed, but, again, we are looking now, you know, prospectively between now and well into the 2030s

of about \$5 billion to \$6 billion a year. I mean, this is just a big program. And it is a must-do program, I think, is pretty widespread agreement across the board.

Back in 2015, Congress passed the National Sea-Based Deterrence Fund [NSBDF], which was a piece of legislation recognizing the fact that this expenditure is just going to sit on the shipbuilding account year in and year out, even though it is a platform which carries about 70 percent of our nuclear stock—available stockpile and, frankly, isn't really part of the Navy. It reports to Strategic Command not to—through the channels there. It also created multiyear authorities that created efficiencies that, again, is one of the reasons why I think it appears to be a promising program in terms of avoiding wasteful funding and giving supply chain folks, you know, confidence that they can, you know, do the work that they need to do in terms of, you know, as I said, reducing unnecessary costs. You know, it is—the NSBDF, which, again, ran into a lot of opposition from the appropriators, was a recognition, again, that this is a once in a multigeneration moment to deal with a program where these boats are going to be on patrol till the 2080s. I just was curious whether Mr. Zakheim or Pettyjohn have any comments regarding whether this approach that Congress enacted, it is law right now, but it has not been fully embraced by the Pentagon in terms of making it a special account recognizing what we thought was a strategic program as opposed to necessarily a shipbuilding program. Just curious what your take is if you can comment.

Mr. ZAKHEIM. Sure. And I remember when you and I think Congressman Forbes and others pushed this forward rightly seeing, looking around the corner knowing that this needed to be prioritized. I mean, your work on the *Columbia* class and then the fast boats *Virginia* class and demonstrating to everybody how multiyears helped the industrial base and actually helped bring costs down has been instrumental in the undersea capability. To me, whether you have—I would support any approach that maximizes shipbuilding in any form.

Now, whether you go with the fund that you have proposed or doing it out of the shipbuilding accounts doesn't really matter to me other than we need to make sure we are getting maximal investment in what everybody agrees is a critical priority, and I think the multiyear authorities you put in there are absolutely critical. Industry needs that. It is a great message to allies and important message to adversaries alike, and we tend to get more capability for less money.

Mr. COURTNEY. Ms. Pettyjohn, do you have any—

Dr. PETTYJOHN. Sure. I would just add that I think that there have been proposals, and I have seen beyond putting all of the nuclear forces into their own account to take them out of the services budget because we have the modernization bill coming due for all three legs of the triad right now, and that is taking up a significant portion of the investment budget; but that could be a sensible thing to do to pull that out so then you can see what is left for your conventional forces.

Mr. COURTNEY. Great. I mean, the other advantage of the law is that it gives the Pentagon the ability to sweep up funds that are

unobligated, and, you know, every penny that you can use, again, is a penny saved for, again, other shipbuilding programs, which, again, we are going through this, again, this year in terms of trying to figure out a way, you know, with a tight top line to make sure that we, again, address what I think is the National Defense Strategy call for maritime defense.

So, with that, I yield back, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Banks is recognized.

Mr. BANKS. Thank you, Mr. Chairman.

Mr. Zakheim, in the last couple of years, you have been a part of two very significant efforts. One was the Future of Defense Task Force that was led by this committee that Representative Moulton and I both co-chaired. And the other effort was something that you led, something I think is very significant and deserves a lot more attention, the Reagan Institute's Task Force on 21st Century National Security Technology and Workforce.

And in both of those efforts and in both of those reports, a lot of attention was drawn to something called the valley of death, and I wonder for purposes of this committee if you could spend a couple of minutes and explain what the valley of death is and provide us with some policy recommendations from the Reagan Institute on what we can do to solve it.

Mr. ZAKHEIM. Thank you, Congressman, and thanks so much for your participation on the Reagan Institute Task Force, and really kudos to you and Congressman Moulton on the work you did on the Future of Defense Task Force. The valley of death is one of those metaphors that is spot on accurate. You can't accuse it of being kind of overly dramatic. It is when you have investments in RDT&E, you have something that might get some pilot funding, but it can't enter a program of record. It just gets cut out. It can't kind of muscle its way in to where the real resources reward a program or an idea. And so it is kind of like early venture stage that doesn't get that late round funding that allows it to really go big time and get the support from an IPO [initial public offering] or private equity company. And so, if we can't get those new technologies that we are experimenting with to enter a program of record either to be a part of or to be its own program record, it will die in that valley of death.

Mr. BANKS. What can we do about it? I have heard the valley of death term for 5 years as a Member of Congress, and it doesn't seem like it is going away.

Mr. ZAKHEIM. A lot of ink has been spilled on this. The one I am thinking about today is integrating it into a program of record, competing elements within a program of record to introduce these new technologies and capabilities. So it is classic competition and really breaking down the stubbornness of a program of record not to allow new things in, as opposed to—one approach that we heard, you heard in the Future of Defense Task Force, which you ran which is, let's just go big on perhaps an RDT&E program and give them procurement authority is already met. I am fine with that. It just hasn't happened. Let's compete within a program of record is the other thing I would offer.

Mr. BANKS. And why don't you tell us for purposes of the committee, where can Members of Congress and those who are paying attention to this hearing today find the Reagan Institute's Task Force report?

Mr. ZAKHEIM. Thank you for that opportunity. Never walk away from self-promotion here for the Reagan Institute. Go into the Google machine and write "Reagan Institute Task Force," and you will see the recommendations there.

Mr. BANKS. I think it is really important, so I appreciate you drawing more attention to that. I know there has been a lot of attention today drawn toward the President's overall budget, and I wonder, Mr. Zakheim, can you—again, I know it is repetitive, but, again, give us a sense of how this budget lines up with our greatest and growing concern of a rising Chinese military, especially the Chinese Navy. Is this budget submission by the Biden administration, is it good enough for us to compete with the greatest adversary that we face on the globe today?

Mr. ZAKHEIM. Thank you for that, Congressman. I think I stand with the statement of the Chairman and Joint Chiefs who testified before this committee like I mentioned before that this budget has a bias toward future operating environments, and that bias to me, I understand it to mean, absorbing risk in this near-term window. When we think about the Davidson window, which I had a chance to discuss with Congressman Gallagher, right, we are exposing ourselves too much in the short term, and that is reflected in this budget by taking out inventory of platforms that could be useful within this 5-year window. So I would say that is the biggest highlight I have in terms of what the risk is.

The good thing is, going forward, I think we could do more, but I like the investments in RDT&E. It should be celebrated. I like the investments in terms of nuclear modernization. But, as you know well, Congressman—you have done this work—the near-term window is one we have to pay very close attention to, and if we invite a vulnerability, it very well may be exploited.

Mr. BANKS. I have grave concerns we aren't doing enough, but I appreciate that feedback.

Mr. Chairman, I yield back.

The CHAIRMAN. Thank you. We will give Ms. Jacobs another try.

Ms. JACOBS. All right. Can you hear me now?

The CHAIRMAN. Yes, we can. Go ahead.

Ms. JACOBS. All right. Victory. Thank you, Mr. Chair. And thank you to our witnesses for being here. I wanted to start with you, Ms. Smithberger. In your written testimony, you say you worry that, in too many instances, the proposed Biden budget proposes getting rid of proven and cheaper systems in favor of immature technology and costly ones. I know we have talked a little bit about this already here, but I was wondering if you could talk about some examples of that. I know on the committee we talk a lot about the question of the current Minuteman III system versus, you know, what could it come from that with modernization, but I was wondering if you could point out some other examples where you think the Department is pursuing costly new systems when the current systems are adequate?

Ms. SMITHBERGER. I think one system that we would really focus on is the A-10 in relation to the F-35. We already have so many of these fighter jets. We already are going through testing. There are so many retrofits that we are going to have to make based on problems that we are discovering that I don't think accelerating acquisition of the F-35 is beneficial to us. And while I hope we don't have to keep on fighting ground wars, we think the close air support capacity that the A-10 provides is an important one.

Ms. JACOBS. Okay. Thank you so much.

And, Dr. Pettyjohn, you talk a lot about the risks of overstretch and argue that the Biden administration's current approach performs poorly against priority threats. Yet you seem to support this divest in order to invest since retiring old and less capable weapons is necessary to fund modernization. I guess, you know, I know that what we have already asked you to talk about what places you would divest from, but do you agree that many of these new programs are coming in over cost and behind schedule? And, you know, in my short time here, we have seen a lot of failures whether it is the LCS delays in the DD-21 [*Zumwalt*-class land attack destroyer] program, or this recent abandonment of the electromagnetic rail gun, just examples that we end up spending a lot of money on things that don't end up working. And so the tradeoff is really a lot harder than just divest to invest because we are actually not good at that invest piece either.

Dr. PETTYJOHN. I would agree. We don't have a great track record lately of investing, and that is one area where the Pentagon needs to improve, and I know this administration is focused on improving and really pushing forward the defense innovation agenda and ensuring that they come up with ways to overcome the valley of death.

So, yes, the recent track record is not great in many respects, but at the same time, the weapon systems that we have, many of them, are increasingly costly to operate. Every single hour that you fly or sail one of these costs more money, and that is eating up an increasingly large proportion of the budget, which means that we can't make any future investments and that we are locked in to these systems that eventually are going to go beyond their service life and that we are not going to be able to extend.

So, at some point, we have to figure out how to perform the acquisition process and to acquire new platforms in a timely manner that perform as promised.

Ms. JACOBS. Okay. Thank you.

And, Ms. Smithberger, I don't know if you had anything to add around that question of these new programs.

Ms. SMITHBERGER. I think for a lot of this, it is about having discipline in our acquisition process. We don't need that many new laws; we need to actually follow the laws that we have. And when the Department issues waivers to those laws and it increases risk, they need to be reporting to these committees about why they are doing so, and that information should be made public so that we can make sure that we are making responsible decisions.

Ms. JACOBS. Well, thank you. Thank you, all.

And, Mr. Chair, I yield back.

The CHAIRMAN. Mr. Johnson is recognized.

Mr. JOHNSON. Thank you, Mr. Chairman.

Mr. Zakheim, I haven't had the pleasure of working with you. Got out here a little late after you left. Glad you are back. In your testimony, you asserted that the fiscal year 2022 budget's top line request is inadequate to support the National Defense Strategy, of course, and you correctly pointed out that the top line figure actually represents a cut from fiscal year 2021 levels because it fails to keep pace with inflation, which is skyrocketing, and you have called for a 3 to 5 percent annual increase in line with the 2018 National Defense Strategy.

So I was just going to see if you could expound a little bit more on what will be some of the real world impacts of not funding our military at that target level of 3 to 5 percent annual growth.

Mr. ZAKHEIM. Congressman, thanks for the opportunity to answer that question. What I have been trying to outline today is we are faced with a serious tension between deterring today and making investments, I think, everybody on this panel agrees we need to make to prevail in a conflict with China in the future and to deter them in the future and that the force needs to change. The question is, how much risk are we willing to absorb today and whether it will be self-defeating because it would invite an adversary to exploit that vulnerability?

The \$37 billion to \$52 billion that you would get this fiscal year at a 3 to 5 percent would allow you to mitigate some of that risk while also increasing investments for the future. It is important, Congressman, to keep in mind that we are not just talking about a one-off for this year, but it actually would put you in trajectory that year over year would compound and give you additional dollars for investment.

I just want to make one more point on 3 to 5 percent real growth. Even if this Congress were to fund this number, it would still be below the 4 percent GDP threshold that many people point to. A 3 percent growth would be 3.6 percent GDP, 5 percent growth would be 3.7 percent GDP. By contrast, as I mentioned before in 1985, the Congress authorized and appropriated 5.7 percent GDP dealing with the challenge of the Soviet Union.

Mr. JOHNSON. And speaking of the 1980s, you said earlier that China is really a greater threat than the Soviet Union was at the height of the Cold War because not only do they have this great military prowess now, but also the economic power as well. And so it occupies a lot of our attention for obvious reasons. Of course, their goal is to become a world-class military, and I think that is their term, by the end of 2049, but you note that the annual dollar value of the PLA procurement is on course to surpass ours by 2024. That is tomorrow in my estimation.

So, in your view, where is China in this mission that they have stated to become world-class by 2049? Are they ahead of schedule?

Mr. ZAKHEIM. I mean, they are rapidly progressing. They are doing everything, as far as we can tell, to pursue that. That is not a hollow statement, but is something that they are actually trying to achieve. We will see if they realize it. We need a cost-imposing strategy. We need to demonstrate to them that their investments will be thwarted, that they need a new approach if they are going

to challenge us or our allies, and that is the essence of the competition.

But make no mistake, I am not trying to make them 10 feet tall, but they are in pursuit of becoming 10 feet tall, and we need to compete with them along the way.

Mr. JOHNSON. And they are not exactly engaging in full transparency, so we don't know what is going on behind the closed doors and everything they are planning and plotting and spending. Despite its flaws, one of the areas in the budget request that I was pleased to see was the full funding of nuclear modernization efforts, and this has come up this morning. Because of some of the shortcomings elsewhere in the budget request, the inadequate top line, reductions in aircraft procurement, et cetera, does that give the nuclear modernization elements an even greater level of importance.

Mr. ZAKHEIM. Well, I think nuclear modernization has a heightened level of importance in this National Defense Strategy because as we try to shift investments to the future, as we recognize that we need to push platforms out of Europe or the Middle East into the Indo-Pacific, the way we assure and deter is through our nuclear weapons, full stop. So we need to modernize them because if they don't work, then we lose that deterrence. That is true. The administration does a great job in fiscal year 2022. I would encourage this committee to exercise a strict oversight of the Nuclear Posture Review because they may be going in a different direction, but those are facts not yet in evidence.

Mr. JOHNSON. Very good.

Mr. Chairman, I yield back.

The CHAIRMAN. Thank you.

Mr. Horsford is recognized.

Mr. HORSFORD. Thank you, Mr. Chairman, and to our witnesses for your testimony.

Ms. Smithberger, the fiscal year 2022 budget request fully funds all aspects of the Department's planned nuclear recapitalization efforts, including the Ground Based Strategic Deterrent. This funding is included even though the Nuclear Posture Review is ongoing. The current intercontinental ballistic system, the Minuteman III, was designed to operate for 10 years, but it is now over 50 years old. While multiple life extensions have kept the system safe and reliable, I understand the Air Force determined another such life extension would cost more than GBSD and would not meet system requirements. Yet, some continue to suggest another life extension.

In your testimony, you argue that nuclear weapons spending is growing at an unsustainable rate. The spike in spending you highlight is largely due to the GBSD acquisition and other recapitalization efforts. I firmly believe that any delay in recapitalization to include another life extension of Minuteman III will lead to exponentially higher costs in the mid to long term and sacrifice critical strategic deterrent capabilities that cannot be brought back. Strategic deterrence underpins every Department of Defense mission and investment and is the most critical component of our national security. Ms. Smithberger, your testimony highlights concerns over the near-term spending increases caused by nuclear recapitaliza-

tion but fails to consider the long-term impacts of delaying these investments.

So putting the unthinkable risks of a failure of strategic deterrence aside, how do you consider the future financial risks of delayed recapitalization in your analysis of the 2022 budget?

Ms. SMITHBERGER. I think these are going to be significant investments no matter what we make and that we have overwhelming nuclear superiority. I think it is important that we continue to maintain our deterrence, but I think as we look at the very—all the different kinds of national security threats that we are trying to address, we are not going to be able to pay for everything. And I think it is important for everything to be on the table to make sure that we are considering where there might be opportunities for cost savings so that we can be the most effective force that we can be.

Mr. HORSFORD. Thank you.

And, Ms. Smithberger, I do agree with your assessment of the risks of cuts to so-called legacy programs to fund unproven next-generation capabilities. You testified that in too many instances, the Department proposes getting rid of proven and usually cheaper systems in favor of immature technology and more costly systems. You write that these programs are nearly always over cost and behind schedule.

For this reason, I am concerned by the Air Force's continued effort to end procurement of the MQ-9 Reaper. While I support the efforts the services may be making towards a next-generation ISR capability, we cannot overlook the incredible value the MQ-9 platform provides to commanders today. The MQ-9 is the most effective—cost-effective platform the Air Force owns. It flies 11 percent of the total Air Force flying hours at only 2.6 percent of the Air Force's total flying hour cost and is needed more now than ever as we complete our withdrawal from Afghanistan.

So, Ms. Smithberger, can you expand on your concerns related to an overreliance on new and immature systems when compared to proven and cost-effective platforms, such as the MQ-9 Reaper?

Ms. SMITHBERGER. Absolutely. So, as Mr. Zakheim was referring to, I think in too many instances, what we have being promised is a PowerPoint and that we don't have a proven capability to replace something. So I think for any proposal that comes before this body, it is important to look at whether we are willing to take the risk that is being proposed.

Mr. HORSFORD. Thank you. Short, succinct, and to the point. I appreciate that, and I yield back.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Carl.

Mr. CARL. Thank you, Mr. Chairman, Ranking Member Rogers.

I would like to thank our witnesses, obviously, for joining us today and talking about this topic that is very important to all of us.

By 2030, the Chinese Navy is expected to have about 425 ships with the U.S. Navy at 350 ships. It is clear the Chinese will continue to invest large numbers, large amounts of money into the navy during this coming decade. Unfortunately, the Biden adminis-

tration has submitted a budget request that does not adequately meet this threat. The Biden administration even fails to increase at a 3 to 5 percent above inflation as recommended by the bipartisan National Defense Strategy Commission.

Mr. Zakheim, did I pronounce that correctly?

Mr. ZAKHEIM. It is Zakheim, sir, but I will respond to anything.

Mr. CARL. Zakheim. Okay. Thank you. I appreciate the correction.

In your written testimony, you highlighted your concern with the low top line numbers from the Biden administration and the impact this has on our Navy. Given the Chinese Navy is expected to be at 425 ships by the end of the decade, can you expand on what this budget request does to our readiness now and into the future?

Mr. ZAKHEIM. Thank you for that question, Congressman. And I think particularly when it comes to the Navy, quantity has a quality all of its own, and the number of ships matter. I think in this budget, the seven cruisers that this proposal would take out of the fleet is one that I think this committee needs to look at. And if you have the 3 to 5 percent real growth, you can mitigate and keep that in the Navy.

With respect to what the Chinese are doing, you know, let them build ships. Just invest in our capabilities that my colleagues have spoken about to take those out. Let's make that part of our cost-imposing strategy, and I think that needs to be the mindset. We need to see what they are doing, learn from it, and then make those investments so we kind of turn this thing on them where we have some cost-imposing strategies. So yes, I think in the near-term window, this Davidson window that we have been discussing, we need to make sure that we keep those ships in the fleet and then also make those investments where we make the Chinese understand that they are wasting their money on their shipbuilding efforts.

Mr. CARL. Thank you very much.

Mr. Chairman, I will turn it back to you. Thank you.

The CHAIRMAN. Mr. Waltz is recognized.

Mr. WALTZ. Thank you, Mr. Chairman.

I wanted to talk about the Army for just a moment, and, again, thank you to all of the witnesses. You know, I think we have talked a lot about deterrence today, and I completely agree having a ship offshore, having long-range fires has a deterrent effect. I don't think we can lose sight of the fact that having an American soldier wake up in a foxhole next to its ally also has a very strong deterrent effect.

But, Mr. Zakheim, or really, any of the witnesses, I am interested in what we can do, though, in terms of cost savings going forward. I am particularly interested in what we can do with the Guard. You look at particularly Army Guard formations, but both Army and Air Guard, you're looking at 30 to 40 percent of the cost, yet you do get that strategic deterrent value and capability. You also get a domestic capability that the Active Duty Army doesn't have. But you have the ability, particularly through the State Partnership Program, to also deploy and have that partnering and allied effect. So I think you get a lot of bang for the buck there. Do you see perhaps force structure transferring to the Guard as a way

in a resource constrained environment that we can do a lot of those things that we still need to do, everything from hurricanes and wildfires to fight our land wars at less of a cost?

Mr. ZAKHEIM. Thank you, Congressman. It is great to see you.

I think in terms of the Guard capability, we should make sure we are giving them assets that are valuable, both in how they would deploy overseas but also what they can use at home. To the extent that the Army can get that balance right, I think that is a wise investment.

The State Partnership Program, which you highlighted, is absolutely critical as a form of assurance and, frankly, coordination with our allies and partners. I think that is a great initiative. And I think, overall, forward presence is something that is really critical for deterrence that we discussed today, and the American people, quite frankly, support this. When we have asked in our Reagan National Defense Survey, which I know you are familiar with, would you support having forces overseas to support kind of peace, they overwhelmingly stand behind that. And I think some of what you are describing here would be actions to support that objective.

Mr. WALTZ. So I completely agree. I could just foresee a construct in the future, again, in a budget constrained environment where our Active forces are primarily forward. But the strategic aspect, which is going to take weeks, if not months, to get on the civilian Reserve fleet that Mr. Wittman rightly pointed out is very lacking, you know. It is that kind of domestic force rather than having Active Duty armored divisions sitting in CONUS [continental United States]. I think we could get maybe perhaps a different mix.

I just want to switch to the Navy. Frankly, I think a lot of the discussions are somewhat nibbling around the margins of LCS or retiring cruisers. The bottom line is we don't have the industrial base to compete. The Chinese are approaching an estimated 1,000 shipyards, yet we have around 24, many of which are a century old and are decrepit and falling apart. Yet there is not a single shipyard requested in President Biden's infrastructure package. Anywhere between \$600 billion and \$3.5 trillion that we are debating here on the Hill, and none of it addresses shipyards, when we are a maritime nation, and with the Chinese building ships at a rate of 5 to 1, they are cranking out one every 6 weeks. Does anyone disagree? Speak up if you disagree that shipyards are considered infrastructure and should be in this infrastructure package.

Ms. SMITHBERGER. I think, when we are looking at the private shipyards, that we need to look at some of the moral hazard that occurs by giving handouts to some of these companies that have been underinvesting in their own infrastructure in this manner. And a lot of these—several of these companies have been engaging in stock buybacks at the kinds of levels that we are proposing to give to them to make these kinds of repairs. So I think we have to make sure that, if we are including shipyard funding, I think it is very hard to make a compelling case to the American people that the Department of Defense does not already have adequate resources to cover those needs.

Mr. ZAKHEIM. I just quickly disagree. I think the opportunity with the infrastructure bill is to incentivize not only the building

and manufacturing of semiconductors in this country but also what you are talking about, shipbuilding, and it could be put in there.

Mr. WALTZ. Thank you Mr. Chairman. And I yield you back 5 seconds.

The CHAIRMAN. Okay. Thank you.

We are about wrapped up. Mr. Fallon is going to be the last person to ask questions, and then we will adjourn.

Mr. Fallon, you are recognized.

Mr. FALLON. Mr. Chairman, thank you very much, and thank you to all the witnesses. It has been fascinating. I am just—I am new, a freshman, trying to learn and absorb and be a sponge. And a lot of very good questions have already been asked, and I don't want to rehash any of those.

So Secretary Austin, he testified here in March, and he said that the number one threat that we face is—the U.S. that is, that it is China. And then they announced that they are going to increase their defense budget approximately 7 percent, I believe.

And so the question for the panel, anybody who wants to jump in, is what kind of justification do the Chinese have? Granted, they have a lot of international frontiers, but what significant threat do they face from any of their neighbors in that theater to justify a 7 percent increase, or is it simply obviously because they are trying to pass us in the world stage? If anyone just wanted to—I guess I will go with Dr. Pettyjohn first.

Dr. PETTYJOHN. I think that they are clearly trying to supplant the United States in the Indo-Pacific and to establish themselves as the dominant power in the region. They don't have to justify their defense expenditures to a domestic audience like we do, given the different government that they have.

Mr. ZAKHEIM. I am just going to add that this is the number one—well, will be the largest economy in the world. To sustain that economy, they have to reach out beyond their region and extend globally. Energy interest is an example of why China is interested in the Middle East. So it is almost a natural course that they would seek to have this type of military and make this kind of investment.

Ms. SMITHBERGER. And I would just add that China has significant internal problems as well, and whenever you have significant internal problems, it is very helpful to focus outward—

Mr. FALLON [continuing]. Yeah. We have seen that in the past.

One of the things that I find concerning just with the budget is from a—just a real dollar perspective, or not real dollar, rather, just raw dollars, it is a 1.7 percent increase. But inflation, as we have talked about repeatedly in Congress, if it is just 3 percent this year, which it very well may be much higher than that, that would be—just to match inflation, it would be \$22 billion. And if it was a 5 percent increase, inflation—inflationary increase, it would be \$37 billion just to have a flat budget. So, you know, these seem to be real, real cuts.

And one question I had for Mr. Zakheim is—pivoting a little bit is your assessment of the European Deterrence Initiative. We have been focusing a lot on the Pacific theater, and we have new allies in NATO. And I loved your comment about how certain allies have the will but not the capabilities, and others have the capabilities

and not the will. And I thought in my head, not, you know, necessarily any order, Poland and Germany. And you mentioned Poland, so if you just want to touch on that.

Mr. ZAKHEIM. Yeah. I mean, the European Deterrence Initiative which, again, I believe this committee, along with elements in the European Command really led on, was critical in deterring Russia. And it was a responsible thing for the U.S. to do after Russia's invasions in Georgia and Ukraine, and I think it needs to be sustained but in a fashion that is proportionate to what needs to happen relative to the Indo-Pacific. And I think it is what we have been talking about today is the same theme, different variation, distributing the force, presence, exercises, and making sure that these are resilient.

If I can, I will just add on to your point on inflation. I think something that this committee I am sure intuitively but may want focus on is that inflationary forces are more dramatic in the defense industrial base than they are in the macro U.S. economy. In other words, whatever is happening in terms of inflation, it is going to be more acute for the Department of Defense, and they will get less bang for the buck.

Mr. FALLON. Mr. Chairman, I yield back. Thank you.

The CHAIRMAN. Thank you very much.

I really want to thank our witnesses for a very informative discussion. I appreciate it.

And, Mr. Rogers, do you have anything for the good of the order.

He does not, so we are good, and we are adjourned. Thank you again.

[Whereupon, at 12:16 p.m., the committee was adjourned.]

A P P E N D I X

JULY 20, 2021

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

JULY 20, 2021



JULY 20, 2021

TESTIMONY BEFORE THE HOUSE ARMED SERVICES COMMITTEE

Hearing on Non-Governmental Views on the Fiscal Year 2022 Department of Defense
Budget

The Fiscal Year 2022 Defense Budget and Future Options for the Pentagon

BY

Stacie L. Pettyjohn

*Senior Fellow and Director, Defense Program
Center for a New American Security*

I. Introduction

Chairman Smith, Ranking Member Rodgers, distinguished members of the committee and staff thank you for inviting me to testify today on the Fiscal Year (FY) 2022 Defense Budget.

My remarks draw on a new Center for a New American Security (CNAS) report released today that I co-authored with Becca Wasser and Jennie Matuschak that examines the linkages between the next national defense strategy, force structures, and resources.¹

II. Fiscal Year 2022 Budget: Goals and Resources

It is important to remember that the Biden Administration's FY 22 defense budget is largely an inherited one. The Pentagon's new leadership had a limited amount of time to make adjustments in a few key areas.²

The defense topline of \$715 billion is higher than former President Donald Trump's \$705 billion FY21 budget request, but lower than Trump's planned ask of \$722 billion for FY22. When adjusted for inflation, President Biden submitted a flat defense budget request.³

While the Biden administration's overall approach to foreign policy seeks to deemphasize the military as the preferred instrument of power⁴, it does appear to maintain the Pentagon's focus on great-power competition. It continues to consider China, and to a lesser extent Russia, as the primary threats. According to Secretary of Defense Lloyd Austin, the budget is focused on meeting the Department of Defense's (DoD) pacing challenge, China.⁵ However, the Biden administration seeks also to manage persistent threats, such as rogue states and terrorists, while also elevating climate change and biothreats to priority challenges. Defense officials claim that the FY 22 budget "is biased towards [the future] operating environment," and seeking to maintain a credible deterrent by outpacing the advances made by competitors, but that "it strikes an appropriate balance between preserving present readiness and future modernization."⁶

There are however signs in the FY 22 budget that the next national defense strategy might not sufficiently prioritize deterring great power aggression, which entails developing a military force capable of defeating a conventional attack while strengthening strategic stability. An approach that fails to focus on this primary challenge would be deeply problematic for American security—both now and in the future—because the Pentagon cannot continue to try to do everything. *Absent significant changes to the U.S. force structure, considerable investments in emerging technologies, and the development of new operating concepts, the U.S. military could lose a war against a great power.* For too long the Pentagon has ignored this problem and as a result the U.S.'s military edge is eroding. The DoD needs to emphasize much more strongly the roles and functions associated with the most challenging and consequential threats we will face in our current and future operating environment, which is deterring great power aggression.

In an example of an unfocused approach to defense the Fiscal year 22 budget tries to simultaneously fund advanced capabilities to counter China and Russia, sustain a high level of readiness, and maintain Service end strength. The balance between modernization, readiness, and capacity suggests that the administration is trying to do too much with too little. There are serious risks with this approach. Addressing today's needs will likely continue to prevent investments in the capabilities needed for tomorrow. And as the military tries to do more with less, it may find itself doing everything, but doing few things well.

III. Critical Unanswered Questions for U.S. Defense Strategy

Despite the strategic priorities laid out by the Biden administration and initial indicators provided by the DoD, it is unclear how the next National Defense Strategy will handle two critical issues. The first is the prioritization of



threats—will the DoD explicitly prioritize China (and secondarily Russia) over other challenges or will it hedge and fail to set clear priorities among the expanded list of challenges detailed in the Interim National Security Strategic Guidance?²⁶ There is bipartisan consensus that China is the pacing challenge while also a widespread recognition that a revanchist Russia seeks to disrupt and weaken the U.S.-led international order. But the Biden administration has highlighted transnational threats such as pandemics and climate change as a top concern. It remains to be seen whether the next NDS privileges the military demands of great power competition above all else or whether it will seek to more evenly balance against several challenges and hedge against future uncertainty and by seeking to cover down on everything, wind up prioritizing nothing.

The second unresolved issue involves the primary role for the DoD and the level of urgency associated with the China challenge. Should the U.S. military compete below the threshold of armed conflict today? Or should the Pentagon focus on strengthening deterrence by denial by building a future force capable of defeating a great-power adversary in a large-scale war? There is considerable disagreement within the national security and defense community about the type of threat that China poses, when the military threat will mature, and how to best deter Beijing.

The 2018 NDS highlighted China and Russia as the predominant threats and prioritized great-power competition and preparedness for potential future conflict against another great power.⁹ It also created “the great power war” force planning construct, which required having sufficient capability and capacity to win a conventional war against one adversary by defeating aggression in a contested environment.¹⁰ In particular, the 2018 NDS espoused a theory of deterrence that depended on “rapidly delaying and degrading or ideally denying China or Russia’s ability to impose the fait accompli on, for instance, Taiwan or the Baltics.”¹¹ This force planning construct sought to rectify force structure deficiencies and shift from retaining capacity for current operation to developing the right capabilities in sufficient quantity to win a future great-power conflict.¹²

To date, the results of the 2018 NDS has been varied at best, but some long-term changes to force structure and posture to prepare for great-power conflict have emerged, albeit fewer than one may have hoped.¹³ In part this is because while the 2018 NDS clearly prioritized high-end deterrence, it also stressed the “reemergence of long-term strategic competition”¹⁴ with China and Russia. Identifying competition as a priority mission while not clearly defining it enabled different parts of the DoD to justify their preferred programs and activities by tying them to this more ambiguous and expansive concept of rivalry.¹⁵ Using the term “great-power competition” helped awaken the DoD, and the U.S. government more broadly, to the wide-ranging actions that China and Russia are taking to challenge American interests. It also broke the United States out of the mindset that there is a binary and clear distinction between war and peace.¹⁶ Yet the insertion of great-power competition also created a broad and highly unclear mission for the DoD that contended with preparing for high-end conflicts with China or Russia.

IV. Three Strategies and Force Structure Options for the Biden Administration

Our analysis suggests that there are three general approaches for how the Biden Administration might contend with the near-term challenge of competition and the longer-term challenge of potential future conflict with great power adversaries.

In one camp, there are those who focus on the near-term threat posed by China and the need to compete with Beijing daily in the contested waters and airspace of the Indo-Pacific.¹⁷ This perspective emphasizes that Chinese military and paramilitary forces are challenging the U.S.-led international order daily in the East and South China Seas while remaining under the threshold of major war. If the U.S. fails to contest these routine gray zone tactics, proponents of this approach argue, China may try to seize more disputed features through subconventional aggression.¹⁸ Ultimately, if left unchecked China could control the waters inside the first island chain by intimidating and dominating its neighbors—perhaps without even firing a shot. Moreover, a U.S. failure to act could embolden Beijing to invade Taiwan or declare a maritime exclusion zone in the South China Sea. Some believe that the risk that China might try



to forcibly unify with Taiwan is growing and that within six years the People's Liberation Army believes that it will have the capability to successfully invade Taiwan.¹⁹

As a result of the urgency of the threat, a strategy focused on the day-to-day competition with China would prioritize capacity and current capabilities over long-term modernization.²⁰ Forward presence is a key component of this strategy, as it demonstrates the United States' ability and willingness to contest Chinese and Russian sub-conventional aggression. This, in turn, is alleged to strengthen conventional deterrence. This strategy option opposes efforts to divest of existing weapons systems in the absence of ready replacements and therefore favors more incremental upgrades to existing forces.

In another camp, there are those who insist that U.S. forces must be able to defeat a fait accompli, which requires preparing to win a high-end conflict.²¹ Significant changes need to be made to the current U.S. force structure to build a force optimized for a conventional great-power war. A high-end deterrence strategy recognizes that absent extensive changes to joint force capabilities, posture, and operational concepts, the U.S. military could lose its military-technological edge and perhaps a large-scale war against a great power.²² Proponents argue that the U.S. military would be unable to effectively conduct key wartime missions in what is an increasingly contested and degraded battlespace. The risk that deterrence fails and China aggresses grows over time as the People's Liberation Army (PLA) fields more advanced military capabilities. The risk of war is most acute in the medium to long-term when it is argued the PLA would have a significant local advantage over the U.S. military in the Western Pacific.

Under this strategy, the Pentagon would need to retire older weapons that are increasingly costly to operate and contribute little to success in winning a modern great power war. Freeing these resources will allow the Pentagon to invest in future capabilities that would increase its warfighting power in high-end contingencies. The overall size of the force would shrink, and the DoD would divest of weapons that are not critical to fighting a war against China or Russia. Consequently, such a high-end deterrence strategy emphasizes research and development in advanced technologies, such as robotics, artificial intelligence, and hypersonics, to ensure the U.S. military's long-term military technological advantage, while making some limited improvements in posture and near-term capabilities to reduce immediate risks.

The third and last approach is one that attempts to balance the ability to compete today and win the fight tomorrow without tilting too far in one direction. This approach most closely resembles the implicit course laid out by the Biden administration. It argues that because the future is uncertain, the U.S. must guard against other threats that may become more pressing than China. To accomplish this, the strategy would preserve much existing force structure and retain a reasonably high level of readiness across the joint force. In seeking to balance possible near-term challenges and the demands of a global great-power competition, this strategy still requires the modernization of both conventional and nuclear forces. A modest amount would be invested in advanced and potentially game-changing technologies, but resources would still be allocated to the equally important desire to field a large force that is capable of stopping opportunistic aggressors and hedging against future uncertainty.

V. What Does the FY22 Budget Indicate about the Pentagon's Strategy and the U.S. Military's Future Prospects?

At times there is a divergence between the stated strategy and where an administration is investing its resources. Since strategy is essentially about aligning ends, ways, and means, examining the budget helps to understand the revealed strategy, which may differ from the declared one.

Our analysis of the Fiscal Year 2022 budget indicates that the DoD is trying to do more than future budgets can support, seeming to be moving toward what we term as a strategy of "full-spectrum competition," the third approach outlined above. The forces and posture that are necessary to handle daily competition are quite different from those that are needed to defend against a conventional fait accompli attack by China on Taiwan or Russia on the Baltics. It



is unlikely that the United States can build a force that can achieve both of these objectives within any credible topline budget.

In the research for our recently released CNAS report, we developed force structures linked to the three strategic options described above and tested their efficacy in a series of table-top exercises (TTXs) that covered the gamut of daily competition, subconventional territorial aggression, and large-scale conventional attacks.

We found that the full-competition strategy which most closely resembles the Biden administration's current approach performs poorly against priority threats. This strategy fails at two key tasks: defeating a great power conventional invasion in Asia or Europe and at halting Chinese and Russian sub-conventional aggression. In addition to risking significant overstretch, this approach increases the likelihood that the demands of today supersede the needs of tomorrow, with the result of the U.S. military finding itself technologically outmatched in the future.

Even if the Pentagon prioritizes China and competition, it does not improve its ability to defeat key threats. The strategy optimized for day-to-day competition would also lose a high-end conflict in East Asia and Europe and fail to halt or overturn subconventional land grabs. The competition strategy bets that a large and visible force that actively contests daily military provocations will deter both sub-conventional and conventional aggression, even if the force is not capable of stopping either type of attack. The risk that this assumption fails grows over time because this strategy forgoes investments in advanced technologies, while China and Russia are rapidly seeking to wrest the military technological advantage from the United States. There are also significant escalatory risks associated with an approach that regularly and assertively contests Chinese and Russian forces. We conclude that it is unlikely that competition can be won by the military, even one optimized to face this challenge.

More optimistically, our analysis suggests that it is possible to build a force capable of winning one big conflict and overturning subconventional aggression with this topline—but only if the department is willing to accept some near-term risk in competition, against other threats, and in other regions. A high-end deterrence strategy mitigates the temporal risk by making near-term improvements in combat capabilities, including expanding stockpiles of preferred long-range munitions, investments to improve the resiliency of U.S. posture in the Indo-Pacific and Europe, and additional investments in cyber and electronic warfare capabilities. It also relies on frontline allies and partners to be responsible for the daily competition.

VI. Looking Ahead to the 2022 NDS and FY23

It is important to return to the fact that the FY 22 budget is largely a legacy one and the Pentagon is currently developing the next NDS. The FY 22 defense budgets makes some significant investments that align with a high-end deterrence strategy, such as arresting the planned decline in research and development spending, buying more preferred long-range munitions, divesting of older weapons or those that are not useful in a high-end conflict, making limited improvements to the U.S.'s forward posture (especially in Europe), and in nuclear modernization.

For more than a decade, analysts have been warning the Defense Department that the U.S. military is losing its military technological advantage and that it could lose a war against a great power adversary absent significant changes to its force structure, operational concepts, and acquisition processes.²³ Washington is in a long-term race with Beijing for military superiority and if it does not invest in modernization now, China may surpass it. Too much time has already been lost to further defer conventional and nuclear modernization. Now is time for the Defense Department to prioritize the future and make the hard choices, even if it means it cannot do everything and anything. More can be done to align the FY23 budget with a winning strategy of high-end deterrence and to begin to shore up the U.S. military's position in the Indo-Pacific and Europe.

The Pentagon plans to fund modernization by “divesting to invest,” or retiring old or less capable weapons. Divestments are necessary to fund modernization, but alone they are not sufficient. The dual conventional and



nuclear modernization bill that is now due requires larger trades in the iron triangle of painful tradeoffs among capacity, capability, and readiness.²⁴

Because military personnel costs are growing more than the overall budget, they reduce the resources available for modernization.²⁵ Shrinking the size of the active duty force not only reduces these increasing expenditures, but it also lowers the readiness bill because there are fewer troops to be trained.

But this requires one additional painful tradeoff, as the cuts to end strength would not be applied evenly across the services.²⁶ Air and maritime capabilities are needed for a swift response to crises, and are central to operations in the Indo-Pacific, the likely location of a conflict with China. While ground troops make important contributions, they play a supporting role in this theater. Thus the Army would find itself as the bill payer with fewer active duty troops, while retaining the heavy units needed to defend Europe and robust guard and reserve components.

A smaller force is not without risk, particularly in the near-term, but it produces long-term benefits. Technological advances in areas such as autonomy and artificial intelligence are changing the nature of warfare in ways that will enhance the lethality of a smaller force with more unmanned systems.²⁷ Moreover, this approach aligns with the administration's preference to reduce the U.S. military presence in the Middle East. As wars end, the U.S. needs fewer troops to deploy for long-term operations. A smaller and less active military with fewer old weapons can reallocate resources to build a future force capable of deterring and, if necessary, defeating China and Russia. The U.S. would retain enough ready troops to respond to unforeseen contingencies, although it would be less able to conduct simultaneous or large prolonged operations.

For this approach to work, President Biden will need to be disciplined in how often and when he employs the military. This means a smaller presence to support Afghanistan and fewer punitive strikes against Iranian targets in Iraq and Syria.

The 2022 national defense strategy and the FY 23 budget will need to accept more risk and further prioritize to prepare the force for the most challenging and consequential threats and heed Secretary Austin's call for "resources matched to strategy, strategy matched to policy."²⁸ If the Biden administration does not make these hard choices or if Congress chooses not to support this strategy, the chasm between U.S. strategic and military objectives and the costs of achieving them will only grow significantly, risking the United States' military technological edge and ability to win a war against a great power.

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Pettyjohn has authored or co-authored reports on a wide range of issues, including readiness and responsiveness, the role of airpower in defeating the Islamic State, competition with Russia, possible war fighting scenarios with North Korea, and command and control of multi-national NATO amphibious forces. Additionally, she has crafted a large body of work on the United States' overseas posture, which explores the operational requirements, its vulnerability to attack, and the political access challenges that the United States faces.

Pettyjohn's work has also been published in academic journals such as Security Studies and International Negotiation, and her commentary has appeared in the Washington Post, Foreign Affairs, War on the Rocks, Defense News, The National Interest, Asia Times, and The Daily Star.

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Hearing Date: Tuesday, July 20, 2021 at 10:00am EST

Hearing Subject:

Non-Governmental Views on the Fiscal Year 2022 Department of Defense Budget

Witness name: Dr. Stacie Pettyjohn

Position/Title: Senior Fellow and Director, Defense Program, CNAS

Capacity in which appearing: (check one)



Individual



Representative

If appearing in a representative capacity, name of the organization or entity represented:

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2021

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
See attached document			

2020

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
See attached document			

2019

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
See attached document			

2018

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
See attached document			

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2021

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract, grant, or payment
See attached document			

2020

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract, grant, or payment
See attached document			

2019

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract, grant, or payment
See attached document			

2018

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract, grant, or payment
See attached document			

Fiduciary Relationships: If you are a fiduciary of any organization or entity that has an interest in the subject matter of the hearing, please provide the following information:

Organization or entity	Brief description of the fiduciary relationship
N/A	N/A

Organization or Entity Contract, Grant or Payment Information: If you or the entity you represent before the Committee on Armed Services has contracts or grants (including subcontracts or subgrants) or payments originating from an organization or entity, whether public or private, that has a material interest in the subject matter of the hearing, received during the past 36 months, please provide the following information:

2021

Contract/grant/ payment	Entity	Dollar value	Subject of contract, grant, or payment
N/A	N/A	N/A	N/A

2020

Contract/grant/ payment	Entity	Dollar value	Subject of contract, grant, or payment
N/A	N/A	N/A	N/A

2019

Contract/grant/ payment	Entity	Dollar value	Subject of contract, grant, or payment
N/A	N/A	N/A	N/A

2018

Contract/grant/ payment	Entity	Dollar value	Subject of contract, grant, or payment
N/A	N/A	N/A	N/A



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CNAS Website:
<https://www.cnas.org/support/cnascas-supporters>

CNAS Federal Contract or Grant Information				
Year	Federal Grant/Contract	Federal Agency	Dollar Value	Principal Investigator
2021	Conditional Contract Award under BAA No. H02084-ONA-18-BAA-0001	Department of Defense, Office of the Secretary of Defense, Office of Net Assessment	\$300,000	Christopher Dougherty
	Conditional Contract Award under BAA No. H02084-ONA-18-BAA-0001	Department of Defense, Office of the Secretary of Defense, Office of Net Assessment	\$300,000	Becca Wassar
	HDTRA1-21-P-0030	Defense Threat Reduction Agency (OTRA)	\$214,988.95	Becca Wassar
	MCU	United States Air Force (USAF)	\$30,000	Richard Fontaine
	Pending	Defense Threat Reduction Agency (OTRA)	\$152,750	Andrea Kersall-Taylor
2020	Pending	Department of Defense, Office of the Secretary of Defense, Office of Net Assessment (via Group 1)	\$250,875	Christopher Dougherty
	Federal Grant/Contract	Secretary of the Air Force Concepts Development and Management, Office of Cost and Program Analysis (OCCA)		Principal Investigator
	FY14-20-P-0921	United States Air Force	\$794,468	Ely Rother
	MCU	United States Marine Corps	\$30,000	Richard Fontaine
	MCU	United States Navy	\$30,000	Richard Fontaine
2019	Federal Grant/Contract	Department of Defense, OUSOP	\$553,287.98	Principal Investigator
	H0303419C0065	DOD, OSD Net Assessment	\$133,000.00	Susanna Burne
	MCU	United States Air Force	\$30,000	Christopher Dougherty
	MCU	United States Marine Corps	\$30,000	Richard Fontaine
	MCU	United States Navy	\$30,000	Richard Fontaine
2018	Awaiting Approval	United States Naval Force Central Command (NAVCENT)	\$300,000	Daniel Kinan
	Federal Grant/Contract	Department of Defense	\$95,552	Principal Investigator
	H0303418C0152	DOD, OSD Net Assessment	\$148,887	Richard Fontaine
	MCU	DOD, OSD Net Assessment	\$91,722	Steven Kostak
	H0303417C-0050- P00002	Gannett Industries Inc.	\$25,000	Daniel Kinan
H02225-16-D-0013	FA3300-13-G-0014	United States Air Force	\$27,500	Ian Golderberg
	TRNGRA-09V0902BPOW	United States Army	\$27,500	Richard Fontaine
	TRNGRA-09V0902BPOW	United States Army	\$27,500	Richard Fontaine
	MCU	United States Marine Corps	\$27,500	Richard Fontaine
	MCU	United States Marine Corps	\$27,500	Richard Fontaine

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CNAS Foreign Government Contract or Payment Information						
Year	Foreign Contract / Payment	Foreign Government	Dollar Value	Subject of Contract or Payment	Principal Investigator	
2020	Agreement dated 24 November 2020	Taipei Economic and Cultural Representative Office (TECRO)	\$20,000	Research Support Agreement for the Waigang the Defense of Taiwan	Christopher Dougherty	
2019	Foreign Contract / Payment	Foreign Government	Dollar Value	Subject of Contract or Payment	Principal Investigator	
Agreement dated 10 October 2018	Academic Collaboration Agreement dated 12 September 2018	Royal Norwegian Ministry of Defense	\$60,000	Revealing Transatlantic Maritime Security	Andrea Kendall-Taylor	
2018	Foreign Contract / Payment	Foreign Government	Dollar Value	Subject of Contract or Payment	Principal Investigator	
Agreement dated 12 September 2018	Research Support Agreement dated 8 May 2018	Royal Norwegian Ministry of Defense	\$37,974	Revealing Transatlantic Maritime Security	Andrea Kendall-Taylor	
Agreement dated 10 October 2017	IAW NATO Statement of Work dated 10 January 2018	Denmark Ministry of Defense The Danish Institute for International Advisory Council (DIAC)	\$50,000	Revealing NATO's New Command Structure in the Nordic-Baltic Region, a Table Top Exercise (TTX)	Andrea Kendall-Taylor and Ebridge Colby	
Agreement dated 16 July 2018	Research Support Agreement dated 12 April 2018	NATO Allied Command Transformation (ACT) Headquarters	\$36,122	Revealing NATO's New Command Structure in the Nordic-Baltic Region, a Table Top Exercise (TTX)	Andrea Kendall-Taylor and Ebridge Colby	
2017	Foreign Contract / Payment	Foreign Government	Dollar Value	Subject of Contract or Payment	Principal Investigator	
Agreement dated 1 August 2017	Memorandum of Understanding between the Center for a New American Security and the Government of France signed 23 December 2016	Kingdom of Norway Ministry of Defense Embassy of Japan	\$25,540	NAC Away Day	Patrick Cronin	
Agreement dated 1 August 2017	Memorandum of Understanding between the Center for a New American Security and the Government of Norway signed 27 January 2017	Government of France	\$50,000	Revealing NATO's New Command Structure in the Nordic-Baltic Region, a Table Top Exercise (TTX)	Paul Scharro	
Agreement dated 1 August 2017	Memorandum of Understanding between the Center for a New American Security and the Government of the United Kingdom signed 16 November 2016	Government of Japan	\$176,804	Enhancing U.S.-Japanese Cooperation in Indo-Pacific Command Space	Andrea Kendall-Taylor and Ebridge Colby	
2017	Foreign Contract / Payment	Foreign Government	Dollar Value	Subject of Contract or Payment	Principal Investigator	
Agreement dated 1 August 2017	Memorandum of Understanding between the Center for a New American Security and the Government of Norway signed 27 January 2017	Government of France	\$20,000	Testing Possible Challenges to the Greenland, Iceland, UK (GLUK) Gap: A Table Top Exercise	Julianne Smith and Jerry Hendrix	
Agreement dated 1 August 2017	Memorandum of Understanding between the Center for a New American Security and the Government of Norway signed 27 January 2017	Government of Japan	\$181,818	Building Capabilities for the US-Japan Alliance in the East China Sea	Patrick Cronin	
Agreement dated 1 August 2017	Memorandum of Understanding between the Center for a New American Security and the Government of the United Kingdom signed 16 November 2016	Royal Norwegian Ministry of Defense	\$36,960	Testing Possible Challenges to the Greenland, Iceland, UK (GLUK) Gap: A Table Top Exercise	Julianne Smith and Jerry Hendrix	
Agreement dated 1 August 2017	Memorandum of Understanding between the Center for a New American Security and the Government of the United Kingdom signed 16 November 2016	Government of the United Kingdom	\$25,000	Testing Possible Challenges to the Greenland, Iceland, UK (GLUK) Gap: A Table Top Exercise	Julianne Smith and Jerry Hendrix	



Testimony of Mandy Smithberger, Director of the Center for Defense Information
 Project On Government Oversight
 before the House Armed Services Committee
 on “Non-Governmental Views on the Fiscal Year 2022 Defense Budget”
 July 20, 2021

Thank you Chairman Smith, Ranking Member Rogers, and members of the committee for inviting me to testify before you today. I’m Mandy Smithberger, the director of the Center for Defense Information at the Project On Government Oversight. POGO is a nonpartisan independent watchdog that investigates and exposes waste, corruption, abuse of power, and when the government fails to serve the public or silences those who report wrongdoing. We champion reforms to achieve a more effective, ethical, and accountable federal government that safeguards constitutional principles. Forty years ago, POGO was founded by Pentagon insiders who were concerned about the department’s procurement of ineffective and overpriced weapons. Throughout our history we have promoted wise spending and have sought improvements to strengthen our military’s effectiveness.

I want to thank the committee for holding this hearing seeking outside views on this year’s budget proposal. Defense Department spending continues to rise at an unsustainable rate, and in too many instances we are paying too much money for too little capability. Significant cuts to the department’s budget are necessary to create the incentives and pressure for reforms that address how the department spends its money and how it fails to set priorities.

Regardless of the budget level, the department needs broad reforms. Buying unproven weapon systems in quantity before testing is complete, awarding contracts to companies with histories of waste and misconduct, and giving disproportionate funding to an agency that is years away from being able to pass an audit wastes taxpayer dollars and reduces overall readiness.¹ The only way there will ever be reform is if there is accountability for failed programs and wasted funds. That accountability must include real budget consequences. Throwing even more money at the department will only make the problems worse.

The Biden administration’s budget proposes cutting a number of “legacy programs” to fund modernization. It’s important for the department to make tradeoffs and set priorities, but we worry that in too many instances the department proposes getting rid of proven—and usually cheaper—systems in favor of immature technology and more costly systems. It’s nearly always the case that the new program is over cost and behind schedule. When Congress acquiesces to these requests from the department, they are often left in the unenviable position of having to continue to support a program that would otherwise be canceled because we divested from a capability that is still necessary for our national security.

¹ Jared Serbu, “DoD targets 2028 for first clean financial statement audit,” *Federal News Network*, May 3, 2021, <https://federalnewsnetwork.com/defense-main/2021/05/dod-targets-2028-for-first-clean-financial-statement-audit/>.

The cost of modernization programs when they fail or are delayed can be substantial. Over the course of a decade, the department ultimately had to cancel programs we'd already sunk more than \$46 billion into.² Many of those canceled programs had promised leaps in technology that in the end could not be affordably achieved. (Notably, programs that were delivered on time during that same time period were largely derivatives of previous, proven systems.³)

And while the financial costs of failed modernization programs take a toll, they're not the only consequence. Delays can also contribute to preventable accidents, loss of life, and eroding readiness. For example, MH-53 helicopters became one of the deadliest types of aircraft in the United States inventory after multiple programs intended to replace its mine countermeasure program failed. Without a replacement system, those helicopters continued to fly for years beyond their anticipated service life, and resources that would have gone to their maintenance were prioritized for newer programs.⁴ Deferred maintenance, known design flaws, and lack of pilot training time resulted in accidents that ultimately took the lives of more than 130 servicemembers.⁵ Many legacy aircraft suffered the same problems. The National Commission on Military Aviation Safety found maintenance and safety of legacy systems across the services deteriorated as services diverted resources to new programs. That deterioration was exacerbated, they found, as delays in the new programs forced the services to extend the lives of the now-underserviced legacy systems for years.⁶ While many have blamed readiness shortfalls on insufficient funding, the commission made clear to this committee that was not the case, saying their "primary fiscal concern is not the amount of money currently allocated to military aviation, but rather the lack of predictability and reliability of the funds."⁷

This budget request shows how new systems that are too expensive to maintain or upgrade can quickly become irrelevant "legacies." Among the so-called legacy systems proposed for retirement in the budget are four littoral combat ships. We support this cut, but it's emblematic of wasteful spending that could and should have been avoided at the outset. The littoral combat ship exemplifies the waste that results from procuring immature weapon systems in quantity before testing is complete. POGO, the Congressional Research Service, and the Congressional Budget Office all warned Congress that the Navy's original acquisition strategy risked increased costs

² *Washington Post*, "When the Pentagon gets the axe," August 4, 2011, <https://live.washingtonpost.com/spending-cuts-defense-department.html>.

³ Stephen Trimble, "DOD's naughty Wall of Shame (Part 2)" *FlightGlobal*, July 19, 2011, <https://web.archive.org/web/20110801060150/https://www.flightglobal.com/blogs/the-dewline/2011/07/dods-naughty-wall-of-shame-par.html>.

⁴ Nicole Van Dorn, Zachary Stauffer, and Dan Grazier, "Who Killed Lt. Van Dorn?" Project On Government Oversight, January 7, 2019, <https://www.pogo.org/podcast/who-killed-lt-van-dorn/>.

⁵ Mark Thompson, "Déjà Chopper: Why the Marines Are Buying a Troubled Aircraft Again," Project On Government Oversight, December 12, 2018, <https://www.pogo.org/analysis/2018/12/deja-chopper-why-the-marines-are-buying-a-troubled-aircraft-again/>; "The Fallen," Who Killed Lt. Van Dorn? 2018, <https://www.vandornmovie.com/the-fallen>.

⁶ National Commission on Military Aviation Safety, *Report to the President and the Congress of the United States*, (December 1, 2020), 39, https://www.militaryaviationsafety.gov/report/NCMAS_Final_Report.pdf.

⁷ *Review of the findings of and recommendations of the National Commission on Military Aviation Safety: Hearing before the House Armed Services Subcommittee on Readiness*, 116th Cong. 3 (December 3, 2020) (testimony of Richard Healing, vice chairman of the National Commission on Military Aviation Safety). <https://garamendi.house.gov/sites/garamendi.house.gov/files/Healing%20Opening%20Statement%2011302020.pdf>.

and undelivered capabilities.⁸ And just as we forewarned, the operational impacts of approving the Navy's acquisition strategy have been increased costs and less capability than promised.⁹ In this case, these ships have only been recently purchased—the newest being in service only since 2017—yet already they appear to be too costly to upgrade or to keep in the fleet.¹⁰

It's not difficult to imagine a similar fate for the F-35 Joint Strike Fighter program, the most expensive program ever undertaken by the department. The F-35 was initially proposed to be "more Chevrolet than Porsche," but low readiness rates and maintenance costs have turned what should be a workhorse into something the Air Force chief of staff has deemed to be a "Ferrari" to be used sparingly.¹¹ This is yet another example of the massive waste caused by "buying before flying." At one point, the costs of retrofitting the aircraft already in hangars to correct problems later uncovered during testing were so high that the department contemplated leaving \$21 billion-worth of "concurrency orphan" jets without the upgrades necessary to make them fully combat capable.¹²

Continuing to prioritize modernization without accountability for performance only continues to increase costs and put readiness and effectiveness at risk, and Congress must carefully consider the wisdom of retiring what works to make way for programs that may still be years from filling the capability gap. The F-35 program is instructive on the impacts of those longer-term costs. A recent report by the Government Accountability Office found that "DOD and the services will be confronted with tens of billions of dollars in annual F-35 sustainment cost overruns that are currently projected as unaffordable."¹³ Future production decisions must not only be tied to reducing costs but also to performance, including the director of operational test and evaluation declaring every variant is fully combat effective and fully suitable for use.¹⁴ Buying more F-35s before testing is complete exacerbates the problems already seen in the fleet and raises the costs of retrofits and design changes.

⁸ Letter from POGO Executive Director Danielle Brian to the Senate Armed Services Committee on the Navy's proposed acquisition change, December 9, 2010, <https://www.pogo.org/letter/2010/12/pogo-letter-congress-should-require-that-navy-give-it-more-time-to-mull-littoral-combat-ship-acquisition-change/>.

⁹ Mandy Smithberger and Pierre Sprey, "Overhaul of Littoral Combat Ship Program Likely to Increase Risks and Costs," Project On Government Oversight, December 13, 2016, <https://www.pogo.org/investigation/2016/12/overhaul-of-littoral-combat-ship-program-likely-to-increase-risks-and-costs/>.

¹⁰ Maffory Shelbourne, "Navy Tries to Cut Four Littoral Combat Ships to Save \$186M in FY 22 Budget," *USNI News*, May 28, 2021, <https://news.usni.org/2021/05/28/navy-tries-to-cut-four-littoral-combat-ships-to-save-186m-in-fy-22-budget>.

¹¹ James Dao and Laura M. Holson, "Lockheed Wins \$200 Billion Deal for Fighter Jet," *New York Times*, October 27, 2001, <https://www.nytimes.com/2001/10/27/us/lockheed-wins-200-billion-deal-for-fighter-jet.html>; Thomas Newdick, "Air Force Boss Wants Clean-Sheet Fighter That's Less Advanced Than F-35 to Replace F-16," *The Drive*, February 18, 2021, <https://www.thedrive.com/the-war-zone/39316/air-force-boss-wants-clean-sheet-fighter-thats-less-advanced-than-f-35-to-replace-f-16>.

¹² Dan Grazier, "\$21 billion worth of F-35 concurrency orphans?" Project On Government Oversight, October 12, 2017, <https://www.pogo.org/analysis/2017/10/21-billion-worth-of-f-35-concurrency-orphans/>.

¹³ Government Accountability Office, *F-35 Sustainment: DOD Needs to Cut Billions in Estimated Costs to Achieve Affordability*, GAO-21-439 (July 7, 2021), 48, <https://www.gao.gov/assets/gao-21-439.pdf>.

¹⁴ Winslow Wheeler and Dan Grazier, "F-35 Changes Needed While Still in Infancy," Project On Government Oversight, April 7, 2021, <https://www.pogo.org/analysis/2021/04/f-35-changes-needed-while-still-in-infancy/>.

As much as possible, the department and Congress must make sure we fly before we buy. While we understand the need to speed up the acquisition process, putting immature and unproven technology into production is costly and undermines readiness. As this committee knows too well, the cost overruns eat into other department priorities, including modernization, and create preventable operational risks. Getting these programs right also depends on starting programs with a process that meaningfully analyzes alternatives for new systems, leverages competition and prototyping, and enables oversight and transparency throughout the process.¹⁵

Even if the Pentagon were to acquire its new systems without delays or cost overruns—something it rarely ever does—its future and extensive spending plans have earned this decade the moniker of the “terrible twenties.”¹⁶ Increasing spending and pushing money out the door at such a rapid clip is likely to only exacerbate the waste and send the message to the department that it has a blank check to mismanage its funds. Even if Congress ultimately decides to provide the Defense Department with a higher budget, it must still do more to seek reforms and push the department to reduce costs significantly.

Opportunities for Savings

There are a number of areas ripe for cost savings without compromising military effectiveness. One of the largest is service contracting. While many people think of the Department of Defense as being in the business of buying planes, tanks, and ships, nearly 50% of what the department buys is services. Last year the department spent nearly \$204 billion on service contracts.¹⁷ POGO’s review of service contracting data found contractor employees cost nearly three times more than the average civilian employee.¹⁸ The Defense Business Board also highlighted opportunities for cost savings on service contracting in its proposal for ways the department could save \$125 billion over five years.¹⁹ The opportunity for savings on service contracting was confirmed for a third time in a subsequent review by the Pentagon’s cost estimating shop.²⁰

Tracking the size and scope of the service workforce, however, has been a challenge. The main way to track that information has been through service contractor inventories. The most recent

¹⁵ Winslow Wheeler and Tom Christie, “Refusing to Misunderstand the Defense Acquisition Problem,” Project On Government Oversight, October 7, 2014, <https://www.pogo.org/investigation/2014/10/refusing-to-misunderstand-defense-acquisition-problem/>.

¹⁶ Government Accountability Office, *Weapon Systems Annual Assessment*, GAO-21-222 (June 8, 2021), 26-29, <https://www.gao.gov/assets/gao-21-222.pdf>; Mackenzie Eaglen, American Enterprise Institute, *The 2020s Tri-Service Modernization Crunch* (March 23, 2021), 3, <https://www.aei.org/research-products/report/2020s-tri-service-modernization-crunch/>.

¹⁷ “Spending Explorer” USASpending, data for Department of Defense, service contracting and research and development contracts, FY 2020, accessed May 7, 2021, <https://www.usaspending.gov/search/?hash=9b0923e53d6f7600c5b407bdf43b728a>.

¹⁸ Scott Amey, “DoD Contractors Cost Nearly 3 Times More than DoD Civilians,” Project On Government Oversight, November 30, 2012, <https://www.pogo.org/analysis/2012/11/dod-contractors-cost-nearly-3-times-more-than-dod-civilians/>.

¹⁹ Defense Business Board, *Transforming DoD’s Core Business Processes for Revolutionary Change* (January 22, 2015), 10, https://www.defensedaily.com/wp-content/uploads/post_attachment/150404.pdf.

²⁰ Cost Assessment and Program Evaluation, Office of the Secretary of Defense, *Comparing the Cost of Civilians and Contractors: Performance of Comparable DoD Functions* (April 2017), https://admin.govexec.com/media/gbc/docs/pdfs_edit/dodcontractorcivilianpart1.pdf and https://admin.govexec.com/media/gbc/docs/pdfs_edit/dodcontractorcivilianpart2.pdf.

publicly available data clearly breaking down costs and contractor full time equivalents across the department is from fiscal year 2015.²¹

While there were some promising efforts by the Army to create systems that would help officials make more cost-effective decisions, departmentwide efforts to create similar systems received significant pushback from within the department and eventually stalled.²² Congress exacerbated the problem by reducing what the department must report through the inventories.²³

Another area in which we urge the committee to curb major drivers of endless spending is the department's wish lists. Referred to as "unfunded priorities" lists, these requests reduce budget discipline and increase wasteful spending. Many components of the Defense Department produce two budgets for Congress: one approved by the department's civilian leaders as part of the annual budget submission, and a second of additional programs that didn't make the cut. When the late Senator John McCain was chair of the Senate Armed Services Committee, he criticized this practice as a budget gimmick and a "backdoor way of getting things done."²⁴ Unfortunately this practice has only become worse over time, with Congress codifying into law the requirement for components to produce two lists.

An ideal budget process at the Department of Defense or any other federal agency would establish clear priorities for spending and program execution. By telling Department of Defense components they'll have two bites at the apple, Congress is increasing the already palpable pressure and incentives to spend without restraint. Congress should eliminate the statutory requirement for components to submit wish lists. Until that's done, however, Congress should require that the wish lists—whether submitted per statute or by request—include recommended

²¹ Office of the Assistant Secretary of Defense for Manpower & Reserve Affairs, *Defense Manpower Requirements Report* (December 2018), 133-13, https://prhome.defense.gov/Portals/52/Documents/MRA_Docs/TFM/Reports/Final%20FY18%20DMRR%2011Dec2017.pdf?ver=2018-02-03-141625-140; Incomplete data was provided to Congress in 2018. Office of the Under Secretary of Defense for Acquisition and Sustainment, *Summary Report to Congress of the Department of Defense Fiscal Year 2016 Inventory of Contracted Services* (February 2018), 1, <https://www.documentcloud.org/documents/20697443-fy-2016-inventory-of-contracted-services-for-the-department-of-defense>; The "Inventory of Services Contracts" available through the department's Defense Pricing and Contracting website are significantly less useful and transparent for oversight, https://www.acq.osd.mil/dpap/cpic/cp/inventory_of_services_contracts.html.

²² Scott Amey, "In Carter We Trust?" Project On Government Oversight, March 24, 2015, <https://www.pogo.org/analysis/2015/03/in-carter-we-trust/>; Letter from Project On Government Oversight Executive Director Danielle Brian to Defense Secretary Chuck Hagel about DOD Effort to Kill Beneficial Service Contract Inventory System, November 25, 2014, <https://www.pogo.org/letter/2014/11/pogo-highlights-dod-effort-to-kill-beneficial-service-contract-inventory-system/>.

²³ Public comment letter from Project On Government Oversight General Counsel Scott Amey about DOD proposed rule, "Defense Federal Acquisition Regulation Supplement: Data Collection and Inventory for Services Contracts (DFARS Case 2018-D063)," August 4, 2020, <https://www.pogo.org/letter/2020/08/pogo-opposes-defense-department-proposed-service-contract-inventory-rule/>; Government Accountability Office, *Service Acquisitions: DOD's Report to Congress Identifies Steps Taken to Improve Management, But Does Not Address Some Key Planning Issues*, GAO-21-267R (February 22, 2021), 3-4, <https://www.gao.gov/assets/gao-21-267r.pdf>; Government Accountability Office, *DOD Contracted Services: Long-Standing Issues Remain about Using Inventory for Management Decisions*, GAO-18-330 (March 29, 2018), 2, <https://www.gao.gov/assets/gao-18-330.pdf>.

²⁴ Marcus Weisgerber and Molly O'Toole, "The Pentagon's Weapon Wish Lists Could Disappear," *Defense One*, February 4, 2015, <https://www.defenseone.com/policy/2015/02/pentagons-weapon-wish-lists-could-disappear/104619/>.

offsets within the component's own budget to pay for the projects that did not make it into the budget request.

Finally, nuclear weapons spending is a third area in which to consider priorities and tradeoffs. This area of spending is growing at an unsustainable rate. In a single year, projected spending on nuclear weapon activities increased by 29%, or \$113 billion.²⁵ The upcoming Nuclear Posture Review is an important opportunity to consider ways to reduce these costs.²⁶ POGO also urges the committee to continue to examine whether new authorities given to the Nuclear Weapons Council in last year's National Defense Authorization Act will lead to wasteful spending.²⁷ Allowing Defense Department leaders to add their own spending priorities to other agencies' budgets, without any requirement to propose offsets to pay for the proposed spending increases, is likely to lead to the nuclear weapons spending budget going in only one direction—up.

This year's budget does include reforms we hope the committee will support, most notably eliminating the Overseas Contingency Operations (OCO) account. Over the years OCO became a slush fund for programs unrelated to our wars overseas, and harmed the department's planning and management.²⁸ The department's reliance on supplemental and off-budget spending has become so commonplace in the past 20 years that it can be easy to forget just how unusual the practice is. From the 1950s to 2001, the United States only used supplemental spending to augment the Pentagon's base budget in the initial years of a war, when the costs were unpredictable. The Congressional Budget Office found that from 1970 to 2000, "nonbase funding accounted for about 2 percent of DoD's total spending."²⁹ We urge the committee to not resurrect this off-budget account or to create new ones.

Combating Emerging National Security Challenges

The Department of Defense budget request aims to address a number of major emerging national security challenges. But what is also becoming increasingly clear is that the response to these future challenges cannot be solely or even principally led by the department. Ensuring our security for the future will require balancing resources to enable the United States to make the best use of the power of our economy, diplomacy, and capacity for innovation.

China creates a number of new challenges for the United States, both militarily and economically. It's important to keep in mind, however, that our country continues to be superior

²⁵ Kingston Reif and Mandy Smithberger, "500,000,000,000 reasons to scrutinize the US plan for nuclear weapons," *Bulletin of the Atomic Scientists*, May 21, 2021, <https://thebulletin.org/2021/05/500000000000-reasons-to-scrutinize-the-us-plan-for-nuclear-weapons/>.

²⁶ Bryan Bender, "DoD set to kick off major nuclear scrub," *Politico*, July 8, 2021, <https://www.politico.com/newsletters/morning-defense/2021/07/08/dod-set-to-kick-off-major-nuclear-scrub-796369>.

²⁷ John Donnelly, "Congress moves to give Pentagon more say in Energy Department's nukes budget," *Roll Call*, December 7, 2020, <https://www.rollcall.com/2020/12/07/congress-moves-to-give-pentagon-more-say-in-energy-departments-nukes-budget/>.

²⁸ David Thornton, "Using OCO funds to bypass budget caps 'departure from historical norms,' CBO says," *Federal News Network*, March 1, 2019, <https://federalnewsnetwork.com/budget/2019/03/using-oco-funds-to-bypass-budget-caps-departure-from-historical-norms-cbo-says/>.

²⁹ Congressional Budget Office, *Overseas Contingency Operations: Trends and Issues* (March 7, 2019), <https://www.cbo.gov/publication/55012>.

in almost every traditional dimension of military strength.³⁰ Moreover, assessing our strength should not discount the training and experience of our forces.³¹ We are concerned that a strategy that overly focuses on the military, continues wasteful procurement practices, and includes unsustainable levels of nuclear weapons spending is likely to fuel a new Cold War that will not make Americans safer.

There are also significant risks hitting us domestically that do not have solely military solutions. There are two other major challenges for public health and safety I want to highlight because they will also require leadership and resourcing for agencies beyond the Department of Defense. Those tradeoffs will put pressure on the department to be much better stewards of the ample resources they already receive.

Climate change is already having a growing impact on our health and safety. From a purely budgetary perspective, the nonpartisan Congressional Budget Office predicts climate change will increase deficits “by reducing revenues and increasing mandatory spending.”³² While combating climate change should be led by other departments with expertise, the Department of Defense certainly has a role to play.³³ The costs of climate change are already being felt by the department. For example, the National Guard is repeatedly called upon to help states recover from extreme weather.³⁴ Military infrastructure is also being hit. The Air Force estimated it needed \$4.9 billion to rebuild bases hit by flooding and Hurricane Michael.³⁵ The Marine Corps estimated that Hurricane Florence resulted in \$3.6 billion in damage at Camp Lejeune, Marine Corps Air Station New River, and Marine Corps Air Station Cherry Point.³⁶ The department has over 1,700 installations worldwide that may be impacted by sea-level rise.³⁷ These costs for the department and across the government will only grow if Congress does not adequately fund efforts to preempt the impacts climate change will have on public health and safety.

Cyber security is also a pressing concern for both our national security agencies and our broader economy. The SolarWinds attack is only the latest indication that future cyber threats will focus on softer, private sector targets alongside our government institutions. Hardening these systems

³⁰ John Isaacs, “China is not the new Soviet Union,” Center for Arms Control and Non-Proliferation, April 8, 2021, <https://armscontrolcenter.org/china-is-not-the-new-soviet-union/>.

³¹ David Frum, “China is a Paper Dragon,” *The Atlantic*, May 3, 2021, <https://www.theatlantic.com/ideas/archive/2021/05/china-paper-dragon/618778/>.

³² Congressional Budget Office, *Budgetary Effects of Climate Change and of Potential Legislative Responses to It* (April 2021), <https://www.cbo.gov/publication/57175>.

³³ For more on recommendations for the Department of Defense’s role in combating climate change see: Sustainable Defense Task Force of the Center for International Policy, *Sustainable Defense: More Security, Less Spending* (June 2019), 20-24, https://67ae62e0-a930-4a42-8f98-6c406ea4d9de.filesusr.com/ugd/3ba8a1_635241b0a0894b3fb377c88e500c3620.pdf.

³⁴ Lawrence Kapp, Congressional Research Service, *Defense Primer: Defense Support of Civil Authorities*, IFI 1324 (December 8, 2020), <https://fas.org/spp/crs/natsec/IFI1324.pdf>.

³⁵ James Doubek, “Air Force needs almost \$5 billion to recover bases from hurricane, flood damage,” *NPR*, March 28, 2019, <https://www.npr.org/2019/03/28/707506544/air-force-needs-almost-5-billion-to-recover-bases-from-hurricane-flood-damage>.

³⁶ Courtney Kube and Moshé Gains, “Camp Lejeune is still a mess 6 months after Hurricane Florence. Where’s the money for repairs?” *NBC News*, March 30, 2019, <https://www.nbcnews.com/news/military/camp-lejeune-still-mess-6-months-after-hurricane-florence-where-n986456>.

³⁷ Margaret Tucker and G. James Herrera, Congressional Research Service, *Military Installations and Sea-Level Rise*, IFI 1275 (July 26, 2019), 1, <https://crsreports.congress.gov/product/pdf/IF/IFI1275>.

will be costly and redirect resources from other priorities. The Government Accountability Office has also found it will require more vigilance to ensure program contracts include the department's cyber security requirements.³⁸ The Cyberspace Solarium Commission highlighted the need for reforms in the military dimensions of cybersecurity and pointed out that future resilience must include strengthening norms and non-military tools.³⁹

Conclusion

To the maximum extent possible there should be a process that encourages the president and Congress to set responsible fiscal goals and make tough choices about priorities for the Department of Defense. Once those goals and priorities are set, we need to make sure the department has the tools it needs to ensure funds are spent efficiently and responsibly. The defense budget cannot continue to grow at current rates. Congress is in the position to rein in that spending and ensure that every dollar improves military capabilities and readiness and supports all of those who serve to protect us. Thank you again for the opportunity to testify. I am happy to answer any questions you may have.

³⁸ Government Accountability Office, *Weapon Systems Cybersecurity: Guidance Would Help DOD Programs Better Communicate Requirements to Contractors*, GAO-21-179 (March 4, 2021) 20, <https://www.gao.gov/assets/gao-21-179.pdf>.

³⁹ Cyberspace Solarium Commission, *Cyberspace Solarium Commission Report*, (March 2020), 46, https://drive.google.com/file/d/1rvMCHL_dZ30QsjFqFkkf10MxIXGT4yv/view.

Mandy Smithberger**Director of the Center for Defense Information, Project on Government Oversight**

Mandy Smithberger rejoined POGO as the director of the Center for Defense Information in December 2014. Previously she was a national security policy adviser to U.S. Rep. Jackie Speier (D-Calif.) There, she worked on passing key provisions of the Military Whistleblower Protection Enhancement Act into law, which expands protections by increasing the level of Inspector General review for complaints, requiring timely action on findings of reprisal, and increasing the time whistleblowers have to report reprisals. Previously an investigator with POGO, she was part of a team that received the Society of Professional Journalists' Sunshine Award for contributions in the area of open government.

Mandy is an expert on national security, Pentagon reform and the Defense industry revolving door. She has appeared recently on CNN, Fox News and NPR, and she's been cited by various outlets, including the New York Times, Washington Post, USA Today, Reuters, Politico, and Foreign Policy.

Mandy received her B.A. in government from Smith College and her Masters in Strategic Studies and International Economics from Johns Hopkins University's School of Advanced International Studies. She also served as an analyst at the Defense Intelligence Agency and U.S. Central Command.

**DISCLOSURE FORM FOR WITNESSES
COMMITTEE ON ARMED SERVICES
U.S. HOUSE OF REPRESENTATIVES**

INSTRUCTION TO WITNESSES: Rule 11, clause 2(g)(5), of the Rules of the House of Representatives for the 117th Congress requires nongovernmental witnesses appearing before House committees to include in their written statements a curriculum vitae and a disclosure of the amount and source of any federal contracts or grants (including subcontracts and subgrants), and contracts or grants (including subcontracts and subgrants), or payments originating with a foreign government, received during the past 36 months either by the witness or by an entity represented by the witness and related to the subject matter of the hearing. Rule 11, clause 2(g)(5) also requires nongovernmental witnesses to disclose whether they are a fiduciary (including, but not limited to, a director, officer, advisor, or resident agent) of any organization or entity that has an interest in the subject matter of the hearing. As a matter of committee policy, the House Committee on Armed Services further requires nongovernmental witnesses to disclose the amount and source of any contracts or grants (including subcontracts and subgrants), or payments originating with any organization or entity, whether public or private, that has a material interest in the subject matter of the hearing, received during the past 36 months either by the witness or by an entity represented by the witness. Please note that a copy of these statements, with appropriate redactions to protect the witness's personal privacy (including home address and phone number), will be made publicly available in electronic form 24 hours before the witness appears to the extent practicable, but not later than one day after the witness's appearance before the committee. Witnesses may list additional grants, contracts, or payments on additional sheets, if necessary. Please complete this form electronically.

July 20, 2021

Hearing Date: _____

Hearing Subject:

HASC Full Committee Hearing on Non-Governmental Views on the Fiscal Year 2022 Defense Budget

Witness name: Amanda (Mandy) Smithberger

Position/Title: Director

Capacity in which appearing: (check one)

☒ Individual ☐ Representative

If appearing in a representative capacity, name of the organization or entity represented:

Project On Government Oversight

Federal Contract or Grant Information: If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) or grants (including subgrants) with the federal government, received during the past 36 months and related to the subject matter of the hearing, please provide the following information:

2021

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
n/a			

2020

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
n/a			

2019

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
n/a			

2018

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
n/a			

Foreign Government Contract, Grant, or Payment Information: If you or the entity you represent before the Committee on Armed Services has contracts or grants (including subcontracts or subgrants), or payments originating from a foreign government, received during the past 36 months and related to the subject matter of the hearing, please provide the following information:

2021

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract, grant, or payment
n/a			

2020

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract, grant, or payment
n/a			

2019

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract, grant, or payment
n/a			

2018

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract, grant, or payment
n/a			

Fiduciary Relationships: If you are a fiduciary of any organization or entity that has an interest in the subject matter of the hearing, please provide the following information:

Organization or entity	Brief description of the fiduciary relationship
n/a	

Organization or Entity Contract, Grant or Payment Information: If you or the entity you represent before the Committee on Armed Services has contracts or grants (including subcontracts or subgrants) or payments originating from an organization or entity, whether public or private, that has a material interest in the subject matter of the hearing, received during the past 36 months, please provide the following information:

2021

Contract/grant/ payment	Entity	Dollar value	Subject of contract, grant, or payment
n/a			

2020

Contract/grant/ payment	Entity	Dollar value	Subject of contract, grant, or payment
n/a			

2019

Contract/grant/ payment	Entity	Dollar value	Subject of contract, grant, or payment
n/a			

2018

Contract/grant/ payment	Entity	Dollar value	Subject of contract, grant, or payment
n/a			



TESTIMONY BEFORE THE HOUSE ARMED SERVICES COMMITTEE

HEARING ON NON-GOVERNMENTAL VIEWS ON THE FISCAL YEAR 2022
DEPARTMENT OF DEFENSE BUDGET

July 20, 2021

Statement by Mr. Roger Zakheim

Director, Ronald Reagan Institute

Chairman Smith, Ranking Member Rogers, and distinguished members of the Committee, thank you for inviting me to testify today on “Non-Governmental Views on the Fiscal Year 2022 Department of Defense Budget.”

The White House’s Interim National Security Strategic Guidance of March 2021 rightly reaffirmed the Trump administration’s assertion that the United States faces a “growing rivalry” with a “more assertive and authoritarian China” and Secretary Austin correctly described the Chinese Communist Party’s (CCP) People’s Liberation Army (PLA) as the “pacing threat.”¹ My testimony will address whether the Biden Administration’s FY22 defense budget request adequately resources our military—the critical component of the China challenge. Specifically, my testimony will consider the strategic and budgetary requirements necessary to compete with the CCP – as well as other significant threats, notably Russia, Iran, North Korea, as well as terrorism, and cyber and digital threats. My approach reflects a strategy of Peace Through Strength that aligns with the findings and recommendations of the bipartisan National Defense Strategy (NDS) Commission on which I had the privilege to serve.² Most relevant to today’s hearing, I reaffirm the NDS Commission’s endorsement of the 2018 National Defense Strategy, as well as the recommendation of a 3-5% real growth per annum increase in the DoD budget.³

The FY22 Request: An Inadequate Top Line

The Biden Administration’s FY22 budget request falls seriously short of what is required to support the National Defense Strategy. The \$715 billion request⁴ represents a real cut as it fails to keep pace with inflation. This departs significantly with the NDS Commission’s recommendation of a 3-5% real growth annual increase that generally was viewed as the minimum necessary to sustain the NDS and keep pace with current and future threats.⁵ The bipartisan support for this critical recommendation was recently reinforced when the Biden

Administration nominee for DoD Comptroller, a former NDS Commissioner, wrote that 3-5% was “illustrative of what was needed for the 2018 NDS.”⁶ A 3% increase would provide an additional \$37 billion and a 5% increase would boost defense spending by \$52 billion over the FY22 request.⁷ Indeed, both represent substantial sums of money, but given the strategic environment, as well as resources our government is spending on other priorities, it is a prudent investment toward sustaining our peace and prosperity. This was true in 2019 when the Commission issued its recommendation; it is even more critical today with inflationary forces on the rise.

There are some, including thoughtful voices on this committee, who reject this NDS Commission recommendation on the grounds that it fails to make “real” strategic choices or come to terms with fiscal realities. While funding of national defense is a responsibility our constitution delegates exclusively to this body, we must be clear eyed that the Administration’s request risks our ability to compete with China and meet our other national security obligations. Some will dismiss this claim as overly dramatic or a failure to properly manage the taxpayer dollar. To those skeptics, I would point to the NDS Commission’s admonition that anything short of its recommendation will require the Pentagon “to alter the expectations of U.S. defense strategy and our global strategic objectives.”⁸ In other words, the choice is binary: we either need to resource the strategy or change the strategy. If this Congress will not fund the current NDS, then our civilian and military leaders ought to change the strategy to reduce military missions and global posture. In my view, changing the strategy in such a manner would have dramatic and detrimental effects on our national security. The best I can discern from the Biden Administration’s nascent strategy and first budget request, however, is that military missions and mandates will increase, not shrink.⁹

Similarly, those calling for restrained military funding due to an unprecedented, three trillion dollars in federal spending in response to the pandemic,¹⁰ and trillions more in proposed measures, should note that none of these spending measures directed any urgently needed funding to the military. In fact, DoD is one of two agencies that the Biden Administration did not see fit to request funding that outpaced inflation. Simply put, the military has not benefited from the federal spending spree and it is imprudent to make DoD a target of fiscal austerity.

The Biden Administration Interim National Security Guidance and the FY 22 Budget Request

Though the Biden Administration National Security Strategy and National Defense Strategy are forthcoming its Interim National Security Strategic Guidance (INSSG) provides the strategic overlay to the FY22 budget request.¹¹ In this regard, the INSSG advances several priorities that portend a departure from the NDS, both by laying the groundwork for budget cuts and reduced capability, while at the same time increasing DoD missions. Specifically, the INSSG calls for a “shift” away from “unnecessary legacy platforms and weapons systems to free up resources for investments in the cutting-edge technologies and capabilities.” While such a trade for replacing the old with the new is a laudable objective consistent with the NDS, the FY22 request delivers \$2.8 billion in cuts to platforms and weapon systems without replacing those capabilities.¹² Critical accounts to warfighting such as aircraft procurement, army readiness,

shipbuilding, and missile defense all have seen reductions.¹³ These are key budget priorities that will have to be deemed unfunded requirements given the FY22 topline squeeze.¹⁴

The Biden Administration deserves praise for driving substantial investments in innovation base technologies. The \$112.0 billion RDT&E budget is a 5.1% increase over the FY21 request and represents a significant investment toward future capabilities in microelectronics, artificial intelligence, and 5G applications for the military. These investments will pave the way for a fighting force ready to operate in the digital age. Yet, trading capability today for RDT&E dollars that *may* deliver a capability tomorrow opens a risk window in the near term. Whether it be the Navy decommissioning seven of its cruisers¹⁵ and cutting too many of its F-18s or the Air Force cutting its fleet of F-15s and F-16s, the question remains: how and when will the Navy and Air Force replace these capabilities?¹⁶ What platform will replace their peacetime presence mission or role in a contingency operation? A recent Navy Secretary memo captured how a low topline drove unacceptable tradeoffs in the budget: “The Navy cannot afford to simultaneously develop the next generation of air, surface, and subsurface platforms and must prioritize these programs balancing the cost of developing next-generation capabilities against maintaining current capabilities.”¹⁷ This committee should be wary of giving up a legacy system for a system that exists solely on a power point slide.¹⁸ In my view, that’s a risk we should be unwilling to accept especially given that we are in the midst of a heightened competition with China that is consistently and persistently placing demands on our force in every military domain.¹⁹

Just as the FY22 topline reflects planned reductions in force structure, the INSSG and the budget request seek to make room for new military missions. The Pentagon’s budget request draws from the INSSG identifying borderless challenges like climate change and global pandemics that will fall within the ambit of the military.²⁰ While the contours of the military’s role in addressing these challenges have yet to be defined, the directive to integrate climate into “policy, strategy, and partner engagements” will inevitably place demands on Pentagon resources and military capability.²¹

Nuclear weapons are another area where the INSSG departs from the NDS. The increased role of nuclear weapons in deterring adversaries like Russia, addressing China’s growing strategic nuclear capabilities, and assuring allies and partners is critical to the shift to the Indo-Pacific outlined in the NDS. Indeed, as we began to move military assets towards East Asia, the NDS anticipated that deterrence in other theatres would hinge on our nuclear forces. Fortunately, the FY22 budget fully funds the modernization of all three legs of the TRIAD. Yet, the INSSG’s tepid support for the Triad²² and testimony from Administration officials unwilling to commit to sustained funding for the Ground Based Strategic Deterrent program suggest a potential reduction in nuclear capability.²³ To do so would be especially risky given the Administration’s desired cuts in conventional capability.

Another departure from the NDS, though more subtle than the previous examples outlined above, is the INSSG’s approach to the Middle East. Both the NDS and INSSG called for efforts to “right-size our military presence.” Indeed, the NDS Commission agreed that competing with China and Russia would inevitably require a re-examination of the capabilities we need in

the Middle East. It is worth noting, however, that there remains unfinished work from the NDS regarding which military platforms and assets ought to be forward deployed in the region and how and when they should be used. Is flashing an aircraft carrier or a B-52 bomber the most efficient way to deter Iranian misbehavior? Perhaps not. The Pentagon, and CENTCOM in particular, is overdue in developing a more cost-efficient playbook that frees up high demand low density assets.

Yet, we have already begun to move from a strategy that called for “re-examination” to one that seeks redeployment. Whether it be the full withdrawal from Afghanistan, the end of OCO spending (which has sustained funding for assets stationed in the CENTCOM AOR) or early indications of a coming redeployment of assets stationed in the Persian Gulf²⁴, the NDS Commission warned against such substantial shifts: “As long as terrorism is exportable, as long as the Middle East remains a major producer of oil, and as long as the United States has key U.S. allies and partners in the region, U.S. interests in the Middle East will be profound. Accordingly, U.S. military posture there should not shrink dramatically, even as the precise mix of capabilities is re-examined.”²⁵ Relying on the capabilities of Israel and our Arab allies in the region to mitigate the capability gap of a U.S. redeployment of missile defenses, as some have suggested, is a specious strategy. One need only look only to Yemen, Syria, Iraq and now Afghanistan to see what happens when the U.S. outsources regional security to unprepared partners.

Understanding the Consequences of 3-5% Real Growth and a 10% Cut

Much of what I’ve outlined above highlights the vulnerabilities and risks associated with some of the priorities in the INSSG and the FY22 budget request. At a macro level the difference between a flat budget and a budget that reaches the 3% or 5% real growth threshold is one that does not have to offload “legacy systems” before new capabilities are ready. An additional \$35-\$50B (roughly what 3-5% increase would yield you) would enable the military departments to utilize these assets in the day-to-day military competition with China and Russia and allow the technology investments to mature and integrate into the force without an intervening capability gap. At the strategic level, these funds would allow the military to focus on the Indo-Pacific while also sustaining our security commitments in Europe and the Middle East.

Moreover, as recent analysis on this point has affirmed, the additional dollars would overcome the cannibalizing effect that personnel and operations and maintenance accounts tend to have on modernization accounts in a flat budget scenario. More funds would pave the way for increased investments in the technologies that will ensure we lead in space, autonomy, and cyber.²⁶ It would allow for machine learning and artificial intelligence capabilities, hypersonic weapons, next generation space assets, and cutting-edge microelectronics, among others, to be procured and integrated more rapidly into existing platforms when possible and become the centerpiece of new platforms. These “extra” dollars should be tightly linked to and measured against specific warfighting objectives. The highest priority should be on investments that will make the greatest impact in a reasonable timeframe in the most pressing scenarios confronting our military, specifically a threat to Taiwan or to the Baltic States. Funding for the Pacific Deterrence Initiative (PDI) is particularly important. The FY22 budget makes some progress in these areas, particularly in PDI, but more can and should be done. The stakes are high: As the

NDS commission warned, even with its current defense budget, “the U.S. military could lose the next state-versus-state war it fights.”²⁷

While the FY22 budget request falls short of what is required to realize the objectives of the NDS, an even more substantial cut would have devastating consequences for our nation’s security and radically and dangerously alter our strategic orientation. To examine the real consequences of cuts to the Pentagon’s resources, the Ronald Reagan Institute and the Center for Strategic and Budgetary Assessments (CSBA) hosted two Strategic Choices Exercises this past fall.²⁸ Our exercise found that a ten percent cut – a proposal introduced (and soundly defeated) in both chambers in the last Congress – would leave the United States with a military that is incapable of carrying out the current National Defense Strategy. It would compel the DOD to re-examine its current standard of maintaining a force that can win one war while deterring another. To realize cuts of this magnitude, experts were forced to significantly reduce the military’s force structure — that is, the size and organization — leaving the participants to question America’s ability to win one war, let alone deter a second.²⁹ On the strategic level, the consequences are no less real. Steep defense cuts would place further strain on an alliance system already under severe pressure. They would leave the United States with a significantly reduced forward presence that would be less able either to deter adventurism by adversaries or to assure allies that America will come to their defense. In other words, “with cuts of this magnitude the United States could be reduced to a de facto hemispheric power by 2030.”³⁰

Dollars do not guarantee success: Managing within the topline

Decades of delayed modernization programs have created a force that is largely dependent on legacy platforms that were developed and procured some four decades ago during the Reagan military build-up. All the while, adversaries have invested in blunting America’s ability to project military power abroad, including by developing the capability to strike critical bases of operations, disabling information networks, and interfering with communication, navigation, and imagery satellites that support military operations. While some progress has been made, DOD needs to continue developing operational concepts that incorporate new technologies and systems that are often the focus of future force discussions. Congress has done well to mandate such priorities in recent legislation, yet this will continue to be a challenge for the Pentagon. As the Reagan Institute outlined in its Task Force on the National Security Innovation Base:

“technological development relevant to national security is no longer exclusively or even primarily in the control of the Department of Defense and its prime contractors. In the past, cutting-edge technology was usually developed by the government sector for military use and then migrated into the civilian sector. Today, the direction of innovation has reversed. Many of the technologies most important to national security are being developed and produced for civilian purposes by civilian actors who have no history with or connection to the national security community. China is aware of this new reality. Its policy of military–civil fusion seeks to better exploit dual-use technologies originating from the commercial sector. To avoid a crippling competitive disadvantage, the United States must adopt means to accomplish the same end.”³¹

Calls to rapidly integrate new technologies need to be accompanied with a radical approach to the Pentagon's management practices, specifically how the DOD acquires new technologies. The Reagan Institute Task Force offered a number of specific recommendations for the Defense Department on this point. These include: (1) making use of its alternative acquisition pathways to award contracts as part of programs of record to companies to ensure a sustainable funding profile; (2) measuring progress in contracts awarded, total dollars awarded, and speed of procurement, focusing on writing fewer, larger checks both as a way to leverage key emerging technologies and as a signal to investors; and (3) overhauling software acquisitions to move away from requirements lists to iterative capabilities and maximize the use of commercial standards for interoperability.³² Other areas need more attention too, such as increased and deeper industrial cooperation with our allies, investment in on-shoring manufacturing capacity for critical areas of our supply chain, and workforce reforms within the defense industrial and innovation bases.

The Pacing Threat: PLA's Budget is Larger Than it Claims and is Growing

As the Congress considers the defense budget, it ought to consider the conduct of its primary competitor, the CCP. While the CCP challenge is not limited to China's hard power and military modernization³³, the Pentagon must remain radically focused on countering the PLA's objective to become a "world-class" military by the end of 2049.³⁴ In March of this year Beijing announced a 6.8% increase in defense spending despite the economic toll of the pandemic.³⁵ Though the CCP spends less than the U.S. on its military, recent analysis by the Heritage Foundation argues that "the People's Liberation Army budget can buy the equivalent of 87 percent of the Pentagon's budget,"³⁶ And most of their investments are concentrated in one region of the world. More troubling, is recent analysis that the annual dollar value of PLA procurement is on course to eclipse that of the U.S. military by 2024. If this occurs, then by 2030 the United States will no longer boast the world's most advanced fighting force in total inventory value.³⁷ This spending allows the CCP to fund an active force of 2 million and a navy which commissions about 14 ships each year including new, cutting edge aircraft carrier. As the Pentagon's China Military Power Report outlined, the CCP is on its way to becoming a "world class military" by marshalling "the resources, technology, and political will over the past two decades to strengthen and modernize the PLA in nearly every respect."³⁸

Conclusion

Advocates of a strong US national security posture often invoke President Reagan's "Peace Through Strength" philosophy, but it is worth reflecting on the meaning of that core principle. At the height of the 1980s military buildup, President Reagan argued, "Peace is not the absence of conflict, but the ability to cope with conflict by peaceful means."³⁹ While this hearing is nominally about the defense budget, at its core it is a debate about strategy: are we committed to resourcing a strategy that prevails in the competition with China while holding off adversaries and spoilers in other regions? Or are we going to choose a strategy that maintains our commitments but absorbs more risk or, even more dramatically, will we cede our military supremacy and shrink to a regional power? This choice will determine the nature of our peace and the likelihood of us prevailing in a conflict. The peace President Reagan spoke of was not a

campaign slogan to advocate for more defense dollars but a desired end state in which American interests, economic prosperity, and freedom were secured by the strength of a well-funded military capable of outcompeting those who might do us harm. In short, we must resource a strong military because it is the best way to prevent war and sustain a peace on our terms.

¹ <https://www.whitehouse.gov/wp-content/uploads/2021/03/NSC-1v2.pdf>; <https://www.armed-services.senate.gov/hearings/21-01-19-nomination>

² <https://www.usip.org/sites/default/files/2018-11/providing-for-the-common-defense.pdf>

³ Id at p.52

⁴ For the purpose of this testimony, I'll refer to 051 budget function and not the more expansive 050 national defense budget. See https://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2022/FY2022_Budget_Request.pdf at p. 3

⁵ See supra note 2 at p.xii "this Commission recommends that Congress increase the base defense budget at an average rate of three to five percent above inflation through the Future Years Defense Program and *perhaps beyond*." (emphasis added); at p.22 noting that Secretary Mattis and Chairman of the Joint Chiefs of Staff Dunford "recommended that the Pentagon required sustained three to five percent annual budgetary growth *just to execute the defense strategy inherited from the previous administration*." (emphasis added); and at pp. 52,70.

⁶ See <https://www.armed-services.senate.gov/imo/media/doc/McCord%20APQ%20Responses.pdf> at Q 24. Congressional Democrats have also advocated for defense spending increases and warned against the damaging impact of cuts. <https://www.defensenews.com/opinion/commentary/2021/05/14/the-case-for-a-robust-defense-budget/>

⁷ <https://www.aei.org/foreign-and-defense-policy/biden-budget-stalls-national-security/> See also https://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2021/FY21_Green_Book.pdf#page=64

⁸ See supra note 2 at p. 52

⁹ https://s3.us-east-1.amazonaws.com/files.cnas.org/documents/BudgetReportPDF_FINAL.pdf?mtime=20210505154954&focal=none

at p.5, "newly prioritized missions of countering biothreats and climate change."

¹⁰ <https://www.usaspending.gov/disaster/covid-19>

¹¹ See supra note 4 at p. 1 highlighting "Climate crisis, global pandemics, cyber threats, and nuclear proliferation", "Shift resources from legacy and less capable platforms" and "Redirect investments in cutting-edge technologies and capabilities"

¹² See summary of cuts <https://federalnewsnetwork.com/defense-main/2021/05/dod-budget-largely-flat-cuts-legacy-systems-for-modernization/>. See also <https://www.defensenews.com/congress/budget/2021/05/28/us-navy-fy22-budget-request-prioritizes-readiness-recovery-over-procurement-buys-4-warships/>

¹³ <https://www.armedservices.senate.gov/imo/media/doc/06.10.21%20Inhofe%20Opening%20Statement%20at%20DOD%20Posture%20Hearing.pdf>;

¹⁴ Some estimate the unfunded requirement to be \$25B. See <https://republicans-armedservices.house.gov/news/press-releases/rogers-opening-statement-hearing-fy22-dod-budget-request>

¹⁵ As Ranking Member Rogers noted, "Those 7 cruisers provide more afloat missile capability than almost the entire British fleet." <https://republicans-armedservices.house.gov/news/press-releases/rogers-opening-statement-hearing-us-navys-fy22-budget-request>. "As Representative Elaine Luria states: "With flat or reduced budgets, the Navy has no good options. It can sacrifice readiness, sacrifice research and development, or sacrifice fleet size. Those are the Navy's only options — and they are all bad." <https://warontherocks.com/2021/06/look-to-the-1980s-to-inform-the-fleet-of-today/>"

¹⁷ <https://news.usni.org/2021/06/08/secnav-memo-new-destroyer-fighter-or-sub-you-can-only-pick-one-cut-nuclear-cruise-missile> See also supra note 11, "The budget would break a multiyear destroyer procurement; truncate key developmental programs like railgun; and pass on critical munitions investments like tomahawk missiles and heavy weight torpedoes."

¹⁸ Rarely does the Pentagon deliver the replacement on time and on cost.

¹⁹ A key feature of the China challenge is the pressure it places on the U.S. in the day-to-day competition as well as the prospect it will dominate military domains in the future. Recent testimony suggests that the window between competition and conflict is narrowing. <https://www.nbcnews.com/news/world/china-could-invade-taiwan-next-6-years-assume-global-leadership-n1260386>

²⁰ See supra note 4 referencing borderless challenges like climate change and global pandemics. See also https://s3.us-east-1.amazonaws.com/files.cnas.org/documents/BudgetReportPDF_FINAL.pdf?mtime=20210505154954&focal=none at p.7

²¹ Supra note 4 at p.4

²² See supra note 1 at p.13 “We will take steps to reduce the role of nuclear weapons in our national security strategy.”

²³ <https://www.airforcemag.com/austin-gbsd-future-will-depend-on-new-nuclear-posture-review/>

²⁴ <https://www.wsj.com/articles/u-s-military-to-withdraw-hundreds-of-troops-aircraft-antimissile-batteries-from-middle-east-11624045575>

²⁵ Supra note 2 at 9. The PLA’s reach into the Middle East offers another strategic justification for continued presence in the region. See also <https://www.nationalreview.com/2021/05/dont-withdraw-u-s-forces-from-the-middle-east/#slide-1> “The present competition with China plays out globally and includes the Middle East. China, thrusting and ambitious, has energy interests in the Persian Gulf and economic interests tied to the Suez Canal.”

²⁶ https://www.reaganfoundation.org/media/356490/rri_csba-americas-strategic-choices.pdf

²⁷ Supra note 2 at p. 14

²⁸ Bipartisan groups of recognized leaders in their fields — defense and budget experts, current and former policy makers, and industry executives — utilized CSBA’s interactive Strategic Choices Tool to weigh the tangible implications of defense budget changes.

²⁹ https://www.reaganfoundation.org/media/356490/rri_csba-americas-strategic-choices.pdf

³⁰ <https://www.reaganfoundation.org/reagan-institute/centers/articles/biden-s-post-covid-defense-budget-choice-a-resurgence-or-a-decline/>

³¹ https://www.reaganfoundation.org/media/356469/task-force-report_011121.pdf

³² Id.

³³ See Matt Pottinger’s excellent testimony on the broader China challenge: <https://www.armed-services.senate.gov/imo/media/doc/06.08%20Pottinger%20Written%20Testimony%20to%20SASC.pdf>

³⁴ <https://media.defense.gov/2020/Sep/01/2002488689/-1/-1/1/2020-DOD-CHINA-MILITARY-POWER-REPORT-FINAL.PDF> at p.i.

³⁵ <https://www.bloomberg.com/news/articles/2021-03-05/china-s-defense-budget-climbs-6-8-as-economy-recovers>

³⁶ <https://www.heritage.org/defense/commentary/chinas-defense-spending-larger-it-looks> Also, “If you account for differences in reporting structure, purchasing power, and labor costs, you find that China’s 2017 defense” budget provided 87 percent of the purchasing power of American’s 2017 defense budget. See also <https://www.defensenews.com/opinion/commentary/2021/04/05/why-slashing-the-pentagon-budget-would-be-a-disaster/>

³⁷ <https://www.politico.com/newsletters/politico-china-watcher/2021/05/27/china-could-soon-outgun-the-us-493014>

³⁸ Supra note 34

³⁹ <https://www.reaganfoundation.org/media/128700/eureka.pdf>

Roger Zakheim**Washington Director, Ronald Reagan Presidential Foundation and Institute**

Prior to his appointment at the Ronald Reagan Presidential Foundation and Institute, Mr. Zakheim practiced law at Covington & Burling LLP in the firm's Public Policy and Government Affairs practice group, where he served as co-chair. Before joining the firm, he was General Counsel and Deputy Staff Director of the U.S. House Armed Services Committee. In this role, Mr. Zakheim managed the passage of the annual National Defense Authorization Act (NDAA). The NDAA is the annual defense policy bill which authorizes the Defense Department's \$600 billion budget. Mr. Zakheim previously served as a Congressionally appointed Commissioner on the Commission on the National Defense Strategy of the United States. He currently serves on the National Defense Industrial Association's Board of Directors, the Center for Strategic and Budgetary Assessments' Advisory Council, and the Alexander Hamilton Society's Board of Advisors.

Mr. Zakheim's previous experience includes serving as Deputy Assistant Secretary of Defense, where he managed the department's policies and programs related to the Iraq and Afghanistan coalition affairs.

Mr. Zakheim frequently speaks and writes on national security and defense issues. His views have appeared in the Wall Street Journal, New York Times, Politico, National Public Radio, Fox News, CNN, BBC, The Weekly Standard, National Review, among other media outlets.

**DISCLOSURE FORM FOR WITNESSES
COMMITTEE ON ARMED SERVICES
U.S. HOUSE OF REPRESENTATIVES**

INSTRUCTION TO WITNESSES: Rule 11, clause 2(g)(5), of the Rules of the House of Representatives for the 117th Congress requires nongovernmental witnesses appearing before House committees to include in their written statements a curriculum vitae and a disclosure of the amount and source of any federal contracts or grants (including subcontracts and subgrants), and contracts or grants (including subcontracts and subgrants), or payments originating with a foreign government, received during the past 36 months either by the witness or by an entity represented by the witness and related to the subject matter of the hearing. Rule 11, clause 2(g)(5) also requires nongovernmental witnesses to disclose whether they are a fiduciary (including, but not limited to, a director, officer, advisor, or resident agent) of any organization or entity that has an interest in the subject matter of the hearing. As a matter of committee policy, the House Committee on Armed Services further requires nongovernmental witnesses to disclose the amount and source of any contracts or grants (including subcontracts and subgrants), or payments originating with any organization or entity, whether public or private, that has a material interest in the subject matter of the hearing, received during the past 36 months either by the witness or by an entity represented by the witness. Please note that a copy of these statements, with appropriate redactions to protect the witness's personal privacy (including home address and phone number), will be made publicly available in electronic form 24 hours before the witness appears to the extent practicable, but not later than one day after the witness's appearance before the committee. Witnesses may list additional grants, contracts, or payments on additional sheets, if necessary. Please complete this form electronically.

Hearing Date: July 20, 2021

Hearing Subject:

Non-Governmental Views on the Fiscal Year 2022 Department of Defense Budget

Witness name: Roger I. Zakheim

Position/Title: Director, Reagan Institute

Capacity in which appearing: (check one)



Individual



Representative

If appearing in a representative capacity, name of the organization or entity represented:

Federal Contract or Grant Information: If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) or grants (including subgrants) with the federal government, received during the past 36 months and related to the subject matter of the hearing, please provide the following information:

2021

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant

2020

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant

2019

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant

2018

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant

Foreign Government Contract, Grant, or Payment Information: If you or the entity you represent before the Committee on Armed Services has contracts or grants (including subcontracts or subgrants), or payments originating from a foreign government, received during the past 36 months and related to the subject matter of the hearing, please provide the following information:

2021

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract, grant, or payment

2020

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract, grant, or payment

2019

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract, grant, or payment

2018

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract, grant, or payment

Fiduciary Relationships: If you are a fiduciary of any organization or entity that has an interest in the subject matter of the hearing, please provide the following information:

Organization or entity	Brief description of the fiduciary relationship
NDIA	Executive Committee

Organization or Entity Contract, Grant or Payment Information: If you or the entity you represent before the Committee on Armed Services has contracts or grants (including subcontracts or subgrants) or payments originating from an organization or entity, whether public or private, that has a material interest in the subject matter of the hearing, received during the past 36 months, please provide the following information:

2021

Contract/grant/ payment	Entity	Dollar value	Subject of contract, grant, or payment

2020

Contract/grant/ payment	Entity	Dollar value	Subject of contract, grant, or payment

2019

Contract/grant/ payment	Entity	Dollar value	Subject of contract, grant, or payment

2018

Contract/grant/ payment	Entity	Dollar value	Subject of contract, grant, or payment

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

JULY 20, 2021

QUESTIONS SUBMITTED BY MR. LANGEVIN

Mr. LANGEVIN. The Department is moving forward on a number of key concepts that will be vital for competing with a peer competitor, especially Joint All-Domain Command and Control and electromagnetic spectrum operations. Do you believe we are adequately funding these programs for great power competition?

Dr. PETTYJOHN. In general, I believe that the Department is investing a reasonable amount of money in Joint All-Domain Command and Control (JADC2) in the fiscal year 2022 budget, but it remains to be seen whether these investments are sustained over time and how the different components of JADC2 fit together. Moreover, it is important to remember that taking steps to strengthen conventional deterrence against China and Russia extend beyond JADC2 and there is room for the Department to do more in other areas.

There are several factors that make it difficult to discern whether the Department is adequately funding JADC2. The first factor is the absence of the future-year defense program (FYDP). Trends in spending are critical, especially for key advanced technologies, such as artificial intelligence (AI), that require a sustained level of long-term investment. When looking at the fiscal year 2022 budget, we simply do not know if current levels will be reduced, maintained, or expanded into the future.

Second, each military department is pursuing its own approach to JADC2 and these are not fully integrated conceptually, bureaucratically or technically. The Army has Project Convergence, the Navy and Marine Corps have Project Overmatch, and the Air and Space Forces have the Advanced Battle Management System (ABMS). While all these concepts aim to create a domain agnostic network of sensors and shooters and to improve and accelerate U.S. decision making with the assistance of machine learning (ML) and AI, it is not clear how these separate battle networks will be integrated.

Third, each of the Department's variants of JADC2 is not a single program or even type of capability. Instead, JADC2 includes technologies that enhance interoperability between different weapons systems; the digital infrastructure or network that forms the communications backbone; efforts to enhance data compatibility; and applications and algorithms that fuse and process data and accelerate decision making. In fact, the only program of record is the Air Force's ABMS. In the President's FY22 budget, the Air Force asks for \$204 million for ABMS, which is \$245.4 million dollars less than what the FY21 FYDP had planned. Yet this does not indicate a lack of interest or investment in ABMS, but instead reflects the Air Force's effort to lay out a clear plan with tangible and executable steps to show how this unusual capability, which is not a singular weapons platform, will be developed. This includes Capability Release 1, a pod for the KC-46 tanker, that will allow F-35 and F-22 stealth fighter aircraft to communicate, which is currently not possible. Additionally, the Air Force plans to develop cloud-based architecture that utilizes AI/ML applications to build a common operating picture for NORTHCOM [U.S. Northern Command].

Moreover, JADC2 extends beyond ABMS. The Air Force has dozens of other program lines that total more than \$800 million devoted to other elements necessary for JADC2, including investments in decision and information sciences, joint cyber command and control, and datalinks, among others. Additionally, the Air Force request asks for \$811 million to modernize AF information technology infrastructure—a foundational element for all future operations.

Similarly, the Departments of the Navy and the Army are making investments in their own battle networks. The Navy reportedly has three classified program lines related to Project Overmatch, but two of its highest priority unfunded requests were related to JADC2. The Navy asked for \$53.9 million to fast-track naval tactical grid and \$87 million to improve the resiliency of communications and precision, navigation, and timing for its combat logistics fleet. Even though the Army's overall budgets for research and development and procurement have decreased, it is spending \$537 million on its tactical network and more than a \$100 million for Project Convergence demonstrations. The Army also makes other investments in AI, satellite communications, and data management.

Thus, when taken together it appears that the Department is investing a considerable amount in JADC2, but that the Navy requires additional resources to fund all of its desired programs in this area. Nevertheless, as my recent CNAS report, *Risky Business: Future Strategy and Force Options for the Department of Defense*, concludes, overall the services could make further cuts in areas less relevant for great power competition and invest this money into capabilities relevant for JADC2 and a high-end war fight. It remains to be seen whether these JADC2 investments will be continued in the future and how all of these different pieces will fit together to enable the services to seamlessly implement all-domain operations as a joint force.

Mr. LANGEVIN. The Department is moving forward on a number of key concepts that will be vital for competing with a peer competitor, especially Joint All-Domain Command and Control and electromagnetic spectrum operations. Do you believe we are adequately funding these programs for great power competition?

Ms. SMITHBERGER. The current funding levels indicate that this is something the Department of Defense is taking seriously. We have some concerns about the wisdom, feasibility, and reliability of connecting all of these systems together. For example, a 2018 Government Accountability Office review found several instances where engineers failed to reset passwords for commercial and open source technologies, making it easy for cyber test teams break in and control those systems. The Department of Defense's Defense Science Board Task Force on Cyber Deterrence also raised concerns about the proliferation of vulnerabilities as we increasingly connect our sensors into a single network. Each system we add to the network is a calculated risk.

It is clear that our adversaries are focused on opportunities to disrupt our networks. Protecting those operations will require much more vigilance and hardening those networks, and becomes even more important the more they are connected together. Unfortunately, we have seen in too many cases that the defense industry is resisting and failing to adequately invest in hardening our cyber security. We are glad to see the Department is continuing to push industry in this arena but its success will be dependent on the backing they receive from Congress, including requiring the Department to fully test the networks and systems of contractors to ensure they meet security requirements and include cybersecurity as part of the basic design of future weapons programs. The services also must maintain the ability to operate effectively without Joint All Domain Command and Control. There will be times when the U.S. military is unable to control the electromagnetic spectrum. When that happens, the force that can still fight well without their information and communications networks will likely win.

Mr. LANGEVIN. The Department is moving forward on a number of key concepts that will be vital for competing with a peer competitor, especially Joint All Domain Command and Control and electromagnetic spectrum operations. Do you believe we are adequately funding these programs for great power competition?

Mr. ZAKHEIM. Congress and the current administration have both rightfully prioritized developing and modernizing electronic warfare and cyber systems that allow the U.S. military to maintain supremacy in these constantly evolving domains of competition. Congress has emphasized the increasing importance of Joint All Domain Command and Control (JADC2) and electromagnetic spectrum operations for great power competition through RDT&E funding increases. The question now, however, is less about whether they are adequately funded—it is whether they are adequately defined.

While I applaud the quick development and approval of the Department's JADC2 strategy, many of the programs and concepts within the new communications system continue to be ill-defined, making sufficient appropriations to fund the strategy a more complicated task. For example, critical data fabric and software definitions, which would specify funding requirements, have yet to be constructed. This includes identifying management solutions and institutionalizing versatile software for cross-service use. For electromagnetic operations, DARPA's funding request has continued to grow, while Defense-wide spending remains the same, signaling increased research interest in the field. The implementation of the 2017 Electronic Warfare Executive Committee strategy was restrained by its own portfolio constraints, including the Chief Information Officer's inability to influence the individual service budgets or actions on electromagnetic developments and acquisitions. Both JADC2 and electromagnetic operations are critical to great power competition, especially against a rising China that is rapidly developing next-generation technologies and malware. It is critical, therefore, that DOD address the shortfalls in concept development and

key definitions about roles and strategy to provide the basis for properly funding their continued operations and driving innovation at DOD.

