



## TESTIMONY BEFORE THE HOUSE ARMED SERVICES COMMITTEE

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

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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.”<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup>

#### **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 request<sup>4</sup> 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.<sup>5</sup> 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.”<sup>6</sup> A 3% increase would provide an additional \$37 billion and a 5% increase would boost defense spending by \$52 billion over the FY22 request.<sup>7</sup> 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.”<sup>8</sup> 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.<sup>9</sup>

Similarly, those calling for restrained military funding due to an unprecedented, three trillion dollars in federal spending in response to the pandemic,<sup>10</sup> 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.<sup>11</sup> 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 “unneeded 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.<sup>12</sup> Critical accounts to warfighting such as aircraft procurement, army readiness,

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

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 cruisers<sup>15</sup> 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?<sup>16</sup> 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.”<sup>17</sup> This committee should be wary of giving up a legacy system for a system that exists solely on a power point slide.<sup>18</sup> 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.<sup>19</sup>

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.<sup>20</sup> 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.<sup>21</sup>

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 Triad<sup>22</sup> 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.<sup>23</sup> 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 Gulf<sup>24</sup>, 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.”<sup>25</sup> 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.<sup>26</sup> 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.”<sup>27</sup>

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.<sup>28</sup> 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.<sup>29</sup> 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.”<sup>30</sup>

### **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.”<sup>31</sup>

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.<sup>32</sup> 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 modernization<sup>33</sup>, the Pentagon must remain radically focused on countering the PLA's objective to become a "world-class" military by the end of 2049.<sup>34</sup> In March of this year Beijing announced a 6.8% increase in defense spending despite the economic toll of the pandemic.<sup>35</sup> 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,"<sup>36</sup> 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.<sup>37</sup> 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."<sup>38</sup>

### **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."<sup>39</sup> 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.

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

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

<sup>3</sup> Id at p.52

<sup>4</sup> 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](https://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2022/FY2022_Budget_Request.pdf) at p. 3

<sup>5</sup> 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.

<sup>6</sup> 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/>

<sup>7</sup> <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](https://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2021/FY21_Green_Book.pdf#page=64)

<sup>8</sup> See supra note 2 at p. 52

<sup>9</sup> [https://s3.us-east-1.amazonaws.com/files.cnas.org/documents/BudgetReportPDF\\_FINAL.pdf?mtime=20210505154954&focal=none](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.”

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

<sup>11</sup> 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”

<sup>12</sup> 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/>

<sup>13</sup>

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

<sup>14</sup> 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>

<sup>15</sup> 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/>"

<sup>17</sup> <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.”

<sup>18</sup> Rarely does the Pentagon deliver the replacement on time and on cost.

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<sup>19</sup> 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>

<sup>20</sup> 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](https://s3.us-east-1.amazonaws.com/files.cnas.org/documents/BudgetReportPDF_FINAL.pdf?mtime=20210505154954&focal=none) at p.7

<sup>21</sup> Supra note 4 at p.4

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

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

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

<sup>25</sup> 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.”

<sup>26</sup> [https://www.reaganfoundation.org/media/356490/rri\\_csba-americas-strategic-choices.pdf](https://www.reaganfoundation.org/media/356490/rri_csba-americas-strategic-choices.pdf)

<sup>27</sup> Supra note 2 at p. 14

<sup>28</sup> 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.

<sup>29</sup> [https://www.reaganfoundation.org/media/356490/rri\\_csba-americas-strategic-choices.pdf](https://www.reaganfoundation.org/media/356490/rri_csba-americas-strategic-choices.pdf)

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

<sup>31</sup> [https://www.reaganfoundation.org/media/356469/task-force-report\\_011121.pdf](https://www.reaganfoundation.org/media/356469/task-force-report_011121.pdf)

<sup>32</sup> Id.

<sup>33</sup> 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>

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

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

<sup>36</sup> <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/>

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

<sup>38</sup> Supra note 34

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