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BEFORE THE HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT
REFORM

MARCH 21, 2017

Chairman Chaffetz, Ranking Member Cummings, and Members of the House Committee on Oversight and Government Reform, I appreciate the opportunity to appear before you today, and I commend you for attention to the Defense Business Board “Transforming DoD’s Core Business Processes for Revolutionary Change” before the public so that the Congress and the new administration can have a full and fair debate about the subject of what may be \$125 billion of administrative waste in the Department of Defense.

Discussing this report by the Defense Business Board, which was briefed to Defense leadership starting in early 2015, comes at a critical time for the Department of Defense and the nation. Despite the fact that the U.S. spends more on defense than the next seven nations in the world combined (five of whom are our allies) and that the U.S. defense budget is three times larger than that of China, and more than ten times that of Russia, and, according to experts like General David Petraeus, our military is “awesome.” The new administration has already proposed to add \$84 billion to the FY 2017 and FY 2018 top line. Moreover, the National Defense Authorization Act for 2017, which has been passed by the Congress and signed by former President Obama, has already added another \$28 billion to the FY 2017 request. Finally, the Obama administration and the Congress have already given the Pentagon over \$100 billion in relief from the caps imposed by the Budget Control Act of 2011, and the Pentagon, with the acquiescence of the Congress, has used the Overseas Contingency Operation (OCO) budget, or warfighting budget, to spend another \$150 billion over the past five years on programs having nothing to do with the wars we are fighting, something the Pentagon comptroller has publicly admitted.

The statements by President Trump now and while a running for office that the U.S. military is a “disaster” are totally without basis. The military does face substantial challenges in terms of readiness and modernization, but these require a clear strategy supported by the administration and Congress before adding more money. When the report in question was commissioned, I believe the leadership in the Department understood that systemic inefficiencies pose a threat to the future of our national defense, not an inability to pay for what we need.

In looking at the report by the Defense Business Board, we need to ask at least three questions. Why did the Pentagon commission the report, what is the basis for this large back office staff, which now consists of over one million people to support an active duty force of only 1.3 million, and why did the Pentagon try to bury the report?

The Pentagon, under the leadership of then Secretary of Defense, Chuck Hagel, who in my view was the most qualified person ever to be selected for the Secretary of Defense position (a war veteran, political appointee in the Reagan administration, distinguished and long-serving Senator from Nebraska, and successful businessperson) recognized that the Department of Defense needed to improve its tooth to tail ratio especially after the B.C.A. stopped the massive growth in defense spending which saw the defense budget increase from less than \$300 billion to nearly \$700 billion between 2001 and 2010.

I base my analysis and recommendations before you today on decades on managing and analyzing the defense enterprise. Having served on active duty in the 1960s, I worked at the American Enterprise Institute in the 1970s with former Secretary of Defense Laird, a highly effective leader and excellent Secretary of defense. I served as Assistant Secretary of Defense in the Reagan administration in the 1980s. I have analyzed and written about defense issues at the Brookings Institution, the Council on Foreign Relations, and the Center for American Progress since then, and it has become clear to me that the overhead in the Department of Defense has grown too big, especially when compared to the size of our active force. Secretary Hagel was correct to ask the Business Board to undertake this study, especially since the Pentagon has to date never been able to pass an audit.

Let me give four examples of this bureaucratic bloat which I have personally observed. First, the proliferation of senior positions with fewer responsibilities over the past 40 years has done more harm than good. When I had the privilege of serving in the Reagan administration, my office at the Assistant Secretary level had responsibility for manpower, installations and logistics. Today that job has been elevated to the undersecretary level, even though the occupant is responsible only for manpower and has no responsibility for installations, or logistics.

Similarly, during much of the Cold War, the Pentagon had only one Assistant Secretary handling policy issues (the Assistant Secretary of Defense for International Security Affairs). Today you have an undersecretary with a principal deputy, and five assistant secretaries all with their own staffs and all serving in confirmable positions.

Second, when Congress, over the opposition of the Pentagon, enacted the Goldwater-Nichols Reform, (which I supported in testimony before the Congress), it increased the power and responsibilities of the Chairman and Joint Staff. Consequently, the size of the Joint Staff which supported the Chairman increased. However, this increase was not met with a reduction in the size of the staffs of the individual service chiefs. This created bloat across back office organizations throughout the uniformed services.

Third, when the Pentagon established new unified commands, like the African Command or Central Command, which took over some of the responsibilities of the existing commands, like the European Command, the existing commands did not reduce their staffs proportionately. Indeed, Combatant Command staffs have grown and massively increased the use of contractors.

Fourth, when Secretary of Defense Robert McNamara consolidated functions, like intelligence and logistics by establishing organizations like the Defense Logistics Agency (DLA) and the Defense Intelligence Agency (DIA) the services did not reduce the size of their own logistics and intelligence organizations. In fact, when I was working on my dissertation and subsequent book on the Joint Chiefs of Staff, I interviewed several service chiefs about the impact on the services of Secretary McNamara transferring functions from the services to the office of Secretary of Defense. One told me it had no impact because he kept his intelligence and logistics organization intact. And during my five years in office, this point was brought home to me when I constantly had to battle the individual services to transfer logistics from them to the Defense Logistics Agency.

In June, 2015, then Navy Secretary Ray Mabus, made this point in a speech at AEI. Mabus, who served as Secretary of the Navy for all eight years of the Obama Administration, complained that 20% of the defense budget or about \$120 billion went to the so-called "Fourth Estate," that is,

defense agencies like DLA that provide support to the armed services. He called this pure overhead. What he did not say was the fact that the Navy and the other services maintain parallel organizations is part of the problem.

Finally, according to the New York Times, the Pentagon effectively buried the report because they were afraid that the Congress would use this report as a rationale for not adding additional funds to the defense budget. I urge the Congress to employ this rationale and not add the additional defense funding that is being sought by the administration. Analysis of Pentagon spending, to include a review and plans for implementation of this report, should come before any major increases in defense spending. Indeed, if the President wants to bring best business practices to government, he should spend this year analyzing current defense spending and instituting an audit of the Pentagon as well. This is something that the new administration should embrace given the President's statement about eliminating wasteful military spending.

This is also what our warfighters need and deserve: every dollar of waste is a dollar that does nothing to help the men and women we send into harm's way and ask to make the ultimate sacrifice. Adding funds before doing rigorous analysis of studies like this almost ensures that reforms will not be made.

Thanks again for the invitation to appear before you. I look forward to your questions as you deal with this critical issue.