



TESTIMONY BEFORE THE HOUSE APPROPRIATIONS  
COMMITTEE DEFENSE SUBCOMMITTEE  
HEARING ON FUTURE DEFENSE SPENDING

March 23, 2021

Statement by Mr. Roger Zakheim  
Director, Ronald Reagan Institute

Chairwoman McCollum, Ranking Member Calvert, and distinguished members of the Subcommittee, thank you for inviting me to testify today on the future of the defense budget.

The White House’s recently released Interim National Security Strategic Guidance reaffirmed the US faces a “growing rivalry” with a “more assertive and authoritarian China” while we continue to face threats like Russia, Iran, terrorism, cyber and digital threats, and nuclear proliferation to name only a few. Though these challenges have economic, diplomatic, and technological dimensions, an adequately resourced military is critical to successfully confront these challenges. The fundamental mission of the U.S. government is to deter a great-power war and, if deterrence fails, to prevent escalation of the conflict and end the war on terms favorable to the United States and its allies.

In order to carry out this mission successfully:

- (1) A 3-5% real growth per annum increase in defense spending is needed for the DOD to execute its current mission requirements.
- (2) Defense cuts seriously threaten the United States’ ability to win a high-intensity war with a peer adversary, let alone simultaneously deter opportunistic aggression in a second theater.

(3) Below the “top line”, the Pentagon faces critical strategic choices regarding how to allocate its resources to sustain and modernize the force and compete with near peer competitors like China.

### **Budget growth: Aligning budgets with strategy**

Defense budgets must be strategy-driven and fiscally informed, not the reverse. Secretary Austin echoed this view during his Senate confirmation hearing saying that our “resources need to match our strategy and our strategy needs to match our policy.”<sup>i</sup> As the 2018 bipartisan National Defense Strategy Commission (NDS Commission) outlined, Russia and China have embarked on massive military modernization initiatives that have diminished America’s longstanding military advantages, and even surpassed the U.S. in some key capabilities. The NDS commission, whose members included Deputy Secretary of Defense Kathleen Hicks, warned that, even with its current defense budget, “the U.S. military could lose the next state-versus-state war it fights.”<sup>ii</sup> These trends have continued: despite the fiscal challenges posed by the COVID-19 crisis, Beijing announced a 6.8% increase in defense spending in March 2021.<sup>iii</sup> While the Trump administration deserves some credit for launching an effort to rebuild the military, this work is by no means complete. In fact, much of the increased funding this committee appropriated in fiscal years 2018 through 2020 was allocated toward restoring readiness with a small percentage focused on modernization.

The White House’s recently released Interim National Security Strategic Guidance indicates that, while there may be some changes in prioritization and tactics, the Department of Defense’s (DOD) mission sets are likely to remain consistent with the 2018 National Defense Strategy. That is, China will remain the pacing threat with Europe and the Middle East continuing to demand attention. Accordingly, the NDS Commission’s recommendation that a 3 – 5% real growth per annum increase in defense spending is still an urgent priority for the U.S. military to project power and uphold alliance commitments. While the Commission noted that this number is more “illustrative than definitive” what is clear is that real budgetary growth is required to maintain readiness and modernize the force.

### **Assessing the impact of defense cuts**

Even before the economic downturn triggered by COVID-19, calls to reduce defense spending emerged from elements in both political parties. Now, with historic deficits following federal spending on COVID-19 relief, those calls are increasing. 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. 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.

The results of this bipartisan group effort were clear: defense budget cuts would have devastating consequences of our military and our national security. A ten percent cut – a proposal introduced (and soundly defeated) in both chambers 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 Department of Defense 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 — the size and organization of our military — leaving the participants to question America's ability to win one war, let alone deter a second.<sup>iv</sup> In other words, “with cuts of this magnitude the United States could be reduced to a de facto hemispheric power by 2030.”<sup>v</sup>

On the strategic level, the consequences are no less real. 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.

Even flat budgets are effectively a cut. The previous Administration's budget request for FY 2021, when accounting for inflation, offered no increase from the previous fiscal year. While this may appear to be sufficient to maintain the status quo, readiness and modernization accounts tend to shrink in a flat budget scenario as other budget lines, such as personnel and operations and maintenance accounts, tend to see real growth.

Thus, flat budgets exacerbate the Department's modernization challenges. All three legs of the nuclear triad require recapitalization in addition to its command-and-control systems. With respect to conventional forces, the Pentagon continues to face the reality of decades of neglected modernization costs. Whether caused by the wars in Iraq and Afghanistan or the impact of the Budget Control Act, we have not invested anywhere near levels necessary for sustained modernization. Underinvestment in conventional forces makes talk of fielding a 355 ship Navy, 386 squadrons or an Army of 500,000 active soldiers seem aspirational at best. The result is a fighting force with aircraft, ships and ground vehicles that belong more to the twentieth than the twenty-first century, with the added challenge that we are increasingly a smaller force with platforms that cost more to maintain. As the NDS Commission noted, without serious conventional force modernization, the U.S. may need to rely more on its nuclear arsenal to deter Russia and China.<sup>vi</sup> To realize National Defense Strategy's admonition that “we cannot expect success fighting tomorrow's conflicts with yesterday's weapons or equipment”, Congress should provide the resources meet the modernization needs of the military.<sup>vii</sup>

### **Dollars do not guarantee success: Strategic choices beneath the topline**

Even with a topline that offers some budget growth, the DOD cannot avoid difficult strategic choices to balance the need to modernize the force for the future of war and the need to maintain a large enough force structure to meet the national security challenges of today. 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, disable information networks, and interfere 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. Thus, machine learning and artificial intelligence capabilities, hypersonic weapons, next generation space assets, and cutting-edge microelectronics, among others, must be adopted and integrated into existing platforms when possible and become the centerpiece of new platforms. 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>viii</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, including: (1) it should make use of its alternative acquisition pathways to award contracts as part of programs of record to companies to ensure a sustainable funding profile; (2) it should measure 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) should overhaul software acquisitions to move away from requirements lists to iterative capabilities and maximize the use of commercial standards for interoperability.<sup>ix</sup> Other areas need increased 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.

Yet, even amidst this shift to new technologies and procurement processes, the Pentagon should not trade reliable capability for systems that do not exist beyond a PowerPoint slide. Language in the Interim National Security Strategic Guidance, which calls for a shift from “unnecessary legacy platforms and weapons systems to free up resources for investments in the cutting-edge technologies and capabilities”, suggests the Biden Administration is sensitive to this point. The temptation to trade real capability today for something new in the future will require Congress to play a critical and careful role in ensuring such legacy systems are indeed “unnecessary.” We should not be jettisoning aircraft carriers, for example, until there are reliable operational

concepts and real assets to replace them with. Our adversaries will not stop and wait for us to modernize our forces. DOD needs to retain a large enough force structure and readiness level that can meet the national security challenges of today.

To that end, defense investments 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 in Taiwan or the Baltic States. Funding for the Pacific Deterrence Initiative is particularly important. To the extent we absorb risk, it should be in regions and capabilities that are not linked to the threat posed by China and Russia.

Where savings are identified inside the defense budget those funds should be reprioritized to address strategic priorities. The Army's "Night Court" process is a good example. It clearly identified sources of savings and mapped the reinvestment of those resources to modernization initiatives. Leaders in the defense establishment must be empowered and incentivized to find savings and reallocate them to the most significant strategic priorities.

## Conclusion

In 1984, President Reagan observed, "history teaches that war begins when governments believe the price of aggression is cheap. To keep the peace, we and our allies must be strong enough to convince any potential aggressor that war could bring no benefit, only disaster." The recently released Reagan National Defense Survey reveals that support for American leadership in the world consistent with President Reagan's "peace through strength" philosophy remains strong. Three in four Americans, including significant majorities of both Republicans and Democrats, favor increasing defense spending. When asked if the United States should maintain military bases around the world or reduce our military presence overseas, nearly two in three Americans prefer the former—also with strong bipartisan support.<sup>x</sup> Americans understand what it takes to sustain the peace and our prosperity, and they are willing to make the investments necessary to support a strategy that delivers just that.

---

<sup>i</sup> <https://www.armed-services.senate.gov/hearings/watch?hearingid=B375A7FA-5056-A066-60BB-60103D5F5D6F>

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

<sup>iii</sup> <https://www.csis.org/analysis/understanding-chinas-2021-defense-budget>

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

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

<sup>vii</sup> For more on challenges surrounding modernization, see a new report by Mackenzie Eaglen <https://link.edgepilot.com/s/333541b2/FUoJfsyfukeG5LzTJQSxww?u=https://www.aei.org/research-products/report/2020s-tri-service-modernization-crunch/>

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

<sup>ix</sup> Id.

<sup>x</sup> <https://www.reaganfoundation.org/media/356700/2021-rri-survey-summary.pdf>