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NATIONAL AND HOMELAND SECURITY: MEETING OUR NEEDS

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

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CONTENTS

	Page
Hearing held in Washington, DC, February 16, 2005	1
Statement of:	
Frank J. Gaffney, Jr., President, Center for Security Policy	7
James Jay Carafano, Ph.D., senior research fellow, the Heritage Foundation	14
COL Randall Larsen, USAF (Ret.), CEO, Homeland Security Associates, LLC	22
Michael O'Hanlon, senior fellow, Brookings Instutution	34
Prepared statement of:	
Hon. Jim Ryun, a Representative in Congress from the State of Kansas	6
Hon. Pete Sessions, a Representative in Congress from the State of Texas	6
Mr. Gaffney	10
Dr. Carafano	17
Colonel Larsen	25
Mr. O'Hanlon	38

NATIONAL AND HOMELAND SECURITY: MEETING OUR NEEDS

WEDNESDAY, FEBRUARY 16, 2005

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The committee met, pursuant to call, at 10 a.m., in room 210, Cannon House Office Building, Hon. Jim Nussle (chairman of the committee), presiding.

Members present: Representatives Nussle, Garrett, Hensarling, Ros-Lehtinen, Mack, Putnam, Ryun, Barrett, Diaz-Balart, Lungren, McHenry, Sessions, Portman, Crenshaw, Spratt, Baird, Allen, Cuellar, Schwartz, Kind, Davis, and Cooper.

Chairman NUSSLE. Good morning and welcome to everyone. This is the Budget Committee's hearings with regard to national security. Today the Budget Committee hearing will focus on both the national and homeland security budget for the fiscal year 2006. We have decided to look at both of these critical areas at once today. We have a shortened period of time between the submission of the President's budget and the actual markup. We want to get all of the security concerns before us today and how fast we can meet them. So, we have asked that the witnesses come together today and visit with us about these very important topics.

Since 9/11, Congress has shown that we are more willing to spend whatever is needed to defend our country and support the needs of our troops, and our security needs both home and abroad. I can tell you that there will be no greater priority in this year's budget than to ensure that those priorities are met.

That said, we better make absolutely sure that the money we are spending is being spent wisely, and with proper planning and oversight. I think too often around here we judge our progress simply by how much we are spending instead of how well we are spending it.

While I am generally pleased with the submission the President has sent us in his budget, it is ultimately the responsibility of the Congress to set the Federal budget. So, instead of our usual course of hearing only from the administration on this issue this year, we are bringing in some outside experts to tell us what they think as well, not only of this year's administration request, but also their take on how well we have been doing the last couple of years providing for and achieving our needs for national security.

I am pleased to have with us a number of witnesses to help us with this topic: Frank Gaffney, President of the Center for Security Policy; James Carafano, the senior research fellow at the Heritage

Foundation; retired United States Air Force Colonel Randall Larsen, who is currently the CEO of Homeland Security Associates; Michael O'Hanlon, who is a senior fellow with the Brookings Institute. We welcome all of you and we look forward to hearing your testimony today.

Let us start by taking a look at the funding we have provided in the past few years. In total since we were attacked on September 11 we spent about $1.9 trillion to provide for our defense and homeland security. That is a staggering amount of money, if you think about it. That doesn't include the supplementals that we have enacted, which add on about another $248 billion. That is an enormous amount in anyone's pocketbook.

Yet, while I often hear a lot of hand wringing about the size of the Federal deficit, it is pretty rare to hear any mention of the fact that a large portion of the deficit is due to this intentional spending we did to correct the deficits of the past. I will remind everyone again, we have done much of this spending around these two areas because prior to September 11 we had a pretty severe deficit in both defense and homeland security that needed and required—in fact that we addressed it.

So we have done a lot and it has been very costly building, rebuilding and across-the-board, updating to correct these security deficits. We acted deliberately in a bipartisan way, to ensure that we provided whatever was needed to defend our country and support the needs of our troops.

Again, with this year's budget we will work to continue the progress that we have already made. So, now let us turn our attention to what the President has proposed in these areas.

The President's request for all homeland security funding is $49.9 billion, which is an increase of 8.6 percent. About 55 percent of that would go to Department of Homeland Security (DHS), with other homeland security-related funding going to the Department of Defense (DOD) with 19 percent. The Department of Health and Human Services (HHS) would receive about another 9 percent of that, the Department of Justice was 6 percent and the remainder spread throughout the Government.

The President's request will continue to increase all homeland security funding by about 4.5 percent over the next 5 years. Let me show you a chart with regard to homeland security that lays this out, I think pretty well. Take a look at this chart. It shows that only the nondefense discretionary piece, which is the homeland security piece, and showing just how much shoring up we have done since 2001. In 2000 spending in this category was about $9 billion. So over the past 5 years we have increased spending in this category at about an average rate of about 28 percent per year to get us where we are now.

Let us look at defense, the next chart. Here you see funding for the Department of Defense military. For defense the President's budget recommends increasing the Department of Defense budget to $419.3 billion, which is an increase of about 4.8 percent. It also proposes a sustained average increase of 4.2 percent over the next 5 years, not counting the supplementals, following on the heels of an average of 6.9 percent increase per year over the past 5 years. These funds will be used for: pay and benefits for our military and

civilian personnel, weapons development and procurement, operating costs to train and equip the United States military forces, and housing benefits for our troops and their families.

I think it is important to note that the administration's budget office did include in this year's deficit estimates a proposed supplemental, a difference from last year that we made a specific request for last year. That is certainly, I believe a step in the right direction. It did not, however, include any funding for the ongoing operations in Afghanistan and Iraq in its budget for the coming fiscal year. So I think we are going to have to take a look at that as we develop the budget in this committee here yet again.

Now, I think it is also important to put this in the context that all other discretionary spending in this regard is going to be held in line.

Clearly, the driving force of the President's proposal, as it will be in our budget, is to ensure first and foremost, that we protect the country and that the most urgent needs are met. At the top of that list is ensuring America's freedom and security at home and abroad, and in and of itself it makes up half of all the Federal Government's discretionary spending. But not too much further down the priority list is controlling the rest of spending, so that we can get our Federal deficit under control.

Aside from increases the President has proposed for both homeland security and defense, his budget recommends reducing funding for every other domestic discretionary program by about 1 percent of the current year level for the first proposed reduction, I might add, since the Reagan administration in the early 1980s.

So particularly under these circumstances, we better make sure that every dollar we spend is spent wisely and with proper planning and oversight—and our homeland security and defense spending is certainly no exception to that.

So I look forward to a good and informative discussion today as we continue to look at our national security needs here at Budget Committee.

With that, I will turn it over to my friend, Mr. Spratt.

Mr. SPRATT. Mr. Chairman, thank you very much. Let me associate myself with much of what you just said and add something to it. First of all, I have to say that I am disappointed that there are no administration witnesses here. I am glad to have the panel before us, glad to have in particular our witness, Dr. O'Hanlon. But I think the administration should be here to explain and justify their own request, which is about $18 or $19 billion for next year, and in addition to justify a third occasion on which they have bypassed the regular budget and sent to the Congress a substantial increase for emergency supplementals, an $82 billion emergency supplemental which arrived yesterday.

As the chairman just said, the sums of money being spent on national defense are compelling but they are also very, very large. If we are going to get our hands around the budget as a whole, we can't ignore an item that is spiking in the budget like this, that is so significant, $440 billion nearly in 2006, plus a likely supplemental again in 2006 that should have been put in this particular budget, put in the baseline. We shouldn't be looking for another extraordinary supplemental. We have 3 years of cost experience now

with debates on what the likely cost of unemployment and Iraq and Afghanistan is, and that should be in the 2006 budget. When it is included in the 2006 budget, the budget is well over $.5 trillion.

So given the fact that our economy is the first instrument of national defense and the deficits are becoming a problem for our economy, we have to stop. Where does it stop? Where does it go from here? How much do we need to forecast over the next 5, 10 years that we are going to realistically lay down a plan for getting a grip on the deficit?

For example, next year the administration in its projection for the budget said that we will have a deficit of $290 billion. But at the same time except for the outlay tail of this year's supplemental, lapsing over and lapping over into next year, at the same time there is nothing included in the administration's budget as laid out in the calculation of the $390 billion deficit to pay for the deployment of our troops in Afghanistan, Iraq and for enhanced North American security. We know that is likely to be at least $50, $60 billion based on what we have been spending and our expectation for the gradual diminution of forces in the Iraqi theater. We know that is going to be a substantial sum of money, and when it is added to the admitted bottom line, $390 billion, the deficit for 2006 is going to be just as large as the deficit for 2005, which means we are not moving in on them, we are not closing in on the President's stated objective to halve the deficit in 5 years. We simply can't get there if we continue having these huge sums added outside the budget process every year in emergency supplementals.

We also need to ask some questions because the Defense Department itself is recognizing that there are finite limits to how much the country can spend on national defense. They have just put through a $60 billion program budget decision. Before they sent us a budget they tried to say I think we are doing our part to at least whittle away some of the defense costs, but we have got a lot on our plate.

We have got a legacy force which is employed at an OPS TEMPO ratio to an extent that we have not seen in years. We have got modernization which is necessary, block obsolescence in many systems. We have certain projects that Mr. Gaffney has, ballistic missile defense, which are taking a big claim on the budget. We have got transformation layered on top of modernization. They to some extent overlap and are the same but modern transformation requires whole new systems for the United States Army, for example.

We have got problems with recruitment and teaching. We have got the Deputy Secretary of Defense complaining in the Wall Street Journal that the Congress has been much too aggressive in pushing personnel benefits and things that are beginning to take a toll on the rest of the defense budget.

We have got reconstitution, repair and replenishment in much bigger sums. If you listen to the service chiefs off the record and in the news as opposed to what they testified to and what is put in the budget, we have big bucks to come as a contingent liability for all of these things.

So we have here, number one, a deficit problem that is getting to be an extraordinary monumental problem, and, number two, the biggest account in it, outside the medical entitlements that is grow-

ing steadily, we have to ask how can we get more bang for our buck. How can we bring the deficit to heel and also accommodate what are the legitimate national security needs of this country.

We want to spend everything we have to spend to see that this country issecure. We want to be unstinting of our troops when we have deployed them in the field, but at the same time we don't want to spend a buck absolutely more than we have to for these purposes.

Thank you very much for taking the time to come testify today.

Mr. BAIRD. Mr. Chairman.

Chairman NUSSLE. Yes.

Mr. BAIRD. Can I ask for a point of information? Would this be an acceptable time?

I look forward to the testimony of these gentlemen, but it sounds to me like is it accurate that we are not going to have any administration cabinet members come talk about the President's budget for the remainder until we submit our House budget?

Chairman NUSSLE. Well, without looking at the schedule I am not sure I can answer the gentleman's question, but we have administration witnesses all over the Hill. Some have just been confirmed. The Homeland Security Director was just sworn in this week. So I am not sure that he could provide as much information as maybe some of the rest of the people who are before us today on exactly what is happening with the Homeland Security budget.

Mr. BAIRD. I respect that, and I understand that. We had Mr. Wolfowitz——

Chairman NUSSLE. We look for other opportunities for the administration to come up.

Mr. BAIRD (continuing). Terrific.

Chairman NUSSLE. We are on an expedited path here to getting a budget resolution completed, and we will do our best to provide and hold as many hearings as possible between now and the markup.

Mr. BAIRD. For the record, personally, I would certainly like to be able to see Mr. Wolfowitz or Mr. Rumsfeld or others who have been in the office a while and have given testimony in the past address budgets such as this for the future and perhaps answer questions about their testimony from the last visit.

I thank the chairman.

Chairman NUSSLE. I thank the gentlemen. Let us take—would it help to take a quick recess here? We will take a quick recess here so that we can do a sound check. I think we have maybe had a technical glitch that we will be able to figure out, and then we will proceed. It should only be a moment. [Recess.]

Thank you for bearing with us. We had a little technical glitch happen, and I think we have taken care of it now.

We are pleased to have before us today—and let me ask unanimous consent that all members be allowed to put a statement in the record at this point in the hearing.

We are pleased to have before us four expert witnesses with regard to our national and homeland security and meeting the needs that our country faces.

As I introduced them before, we will take them in that order. First on our panel is Frank Gaffney, Jr., who is the President of

the Center for Security Policy. We welcome you before the committee. Your written testimony—and this is true for all of the witnesses—your written testimony will be made part of the record and you may summarize.

[The prepared statement of Congressman Ryun follows:]

PREPARED STATEMENT OF HON. JIM RYUN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

As a member who also sits on the Armed Services Committee, I am pleased to be able to address national security budget needs before the House Budget Committee. Clearly, funding for the national defense should be our top priority, and not just for operations in Iraq.

As we have recently seen, we are facing new challenges with an old foe in North Korea, which recently announced its possession of nuclear weapons. Our continued development of weapons systems and missile defense systems should be a priority as we face new these threats.

Additionally, continued funding is necessary for Army transformation. The global environment has changed drastically since the height of the cold war, and the Army needs to adapt accordingly. To this end, transformation will create a more modular Army force that will allow the Army to be more flexible and will increase available resources.

Our ongoing commitment in Iraq requires that we have enough available troops ready for deployment. While Army transformation will address some of these needs, more must be done. To that end, the budget should include funding for additional troops, as well as funding for the resources necessary to recruit these individuals. Furthermore, we must address quality of life issues in order to retain our current forces.

First, we must continue to evaluate military pay, especially for active duty soldiers. Second, adequate housing is necessary for military families around the world. Military barracks and other units for family housing should be assessed and upgraded where needed. Third, we should provide servicemembers and their families with adequate health care. Fourth, with our ongoing global commitments, we must also address the death gratuity for people who are unfortunate to lose a family member in combat. Currently, the military death gratuity is only $12,000. There are several proposals before the House that would raise this benefit to $100,000. I think this is necessary and urge the Budget Committee to consider this in formulating the FY2006 Budget.

I look forward to the input of our panel on how to best address our national security needs.

PREPARED STATEMENT OF HON. PETE SESSIONS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, the President's fiscal year 2006 request builds on the Administration's promise to keep our homeland secure. The President's request of $47.6 billion represents an 8.8-percent increase over 2005 levels for all discretionary government-wide Homeland Security spending. This budget request fully funds our defense and homeland security priorities and in doing so, creates a new homeland security framework and strategy that meets the needs of the 21" Century.

I am pleased to see significant increases in funding for the Department of Homeland Security. The President's fiscal year 2006 request is $34.152 billion. The request represents a $2.162 billion, or 6.8-percent, increase over fiscal year 2005 enacted levels. These monies include significant funding increases for vital agencies like the Transportation Security Administration (TSA), Customs and Border Protection, and Immigration and Customs Enforcement.

Having represented the large metropolitan city of Dallas for 8 years, I believe that it is important to continue to ensure that our first responders, law enforcement agencies, and emergency personnel are always well ahead of those who would bring harm to our nation. Accordingly, I believe that we need to make sure all of our first responders are working with interoperable communications systems, and I look forward to working with my colleagues on achieving this goal nationwide. We must ensure that our police, fire, and Sheriffs departments are communicating.

That is why I am pleased to see that the President's Budget includes $873 million for DHS' Information Analysis and Infrastructure Protection Directorate, which coordinates the Federal Government's efforts to protect the Nation's critical infrastructure, including commercial assets, government facilities, dams, nuclear power

plants, chemical plants, bridges, and tunnels. In addition, the Budget would provide $600 million for the Targeted Infrastructure Protection Program to assist State and local governments in reducing the vulnerability of critical infrastructure, such as chemical facilities, ports, and transit systems.

I also believe it is crucial that we continue to guard our nation's cyber infrastructure. The consequences of a cyber attack on our infrastructure can cascade across many sectors, causing widespread disruption of essential services, damaging our economy, and imperiling public safety. That is why I am pleased to see that the President's Budget Request provides $73 million for the National Cyber Security Division within DHS to monitor, respond to, and notify the general public of cyber threats. In addition, the

Budget would make available $94 million in funding for the National Science Foundation for research related to cyber security, which is critical to staying ahead of threats to our IT infrastructure.

Under the President's leadership, the Department of Homeland Security has focused on a crucial mission—to prevent, protect and respond to the threat of terrorism. DHS has made important progress, working to enhance the security of our borders, ports, and critical infrastructure. I look forward to working with the Administration to ensure that our homeland remains secure. We must continue to be vigilant in staying ahead of the terrorists, and acting before they have the ability to strike America or our national interests.

STATEMENTS OF FRANK J. GAFFNEY, JR., PRESIDENT, CENTER FOR SECURITY POLICY; JAMES JAY CARAFANO, PH.D., SENIOR RESEARCH FELLOW, THE HERITAGE FOUNDATION; AND COLONEL RANDALL LARSEN, USAF (RET), CEO, HOMELAND SECURITY ASSOCIATES, LLC

Chairman NUSSLE. Mr. Gaffney, welcome.

Mr. GAFFNEY. Mr. Chairman, thank you very much.

Chairman NUSSLE. There is a button you need to push and hold down.

STATEMENT OF FRANK J. GAFFNEY, JR.

Mr. GAFFNEY. I appreciate that. Thank you, Mr. Chairman. My voice is not as strong as usual, so the amplification is appreciated much. There is a lot to cover in not too much time.

I appreciate the opportunity to address you and other members of the committee about what I believe is the highest priority of the Federal Government, and we are providing for the common defense. I commend the President in this budget for allocating scarce resources to meeting the urgent needs of the military and homeland defenders.

There are, of course, deeper reductions being made elsewhere in the Government, but I fear that some of the cuts that are being made in this budget are going to have far-reaching and negative effects. I would like to concentrate particularly on some that I have—I fear most in the Defense Department budget. Clearly, the budget emphasizes meeting the near term and most especially the combat-related requirements of the department. I think it does that fairly well, but not fully.

It falls short, however, in meeting what I think are the future needs. Congressman Spratt talked about the transformation and modernization challenges that we are going to confront over the next 5 to 10 years, perhaps certainly longer.

Specifically, I am worried that the budget is reflective of a growing focus on sizing and equipping the military to contend with unconventional conflicts and terrorist insurgencies. It will be interesting to see whether that is modified as a result of the Quadren-

nial Defense Review, which is now under way, which I gather is going to be looking at the emergence of Communist China as a threat.

But in any event it seems to me that cutting money from the defense programs essential to our ability to dominate the future battle space against adversaries who will be armed with sophisticated weapon systems in the interest of making the military more responsive to lesser threats is neither pennywise nor pound sensible. Indeed, history teaches that downscaling of this kind merely emboldens prospective foes.

I must say I think the trends with respect to China are such that we don't need to embolden them to be concerned about the prospect of a future conflict with them.

Of particular concern are the investments that need to be made, some of which have already been subjected to long overdue and much too much budgetary uncertainty. I will speak to four areas of particular concern in the Defense Department. The first is the shrinking of the United States Navy.

As you know, there is a $1.7 billion cut in shipbuilding. We are down to four ships to be procured in this budget.

Against the backdrop of Admiral Vern Clark, the CNO, saying just last week, "We are...keeping a weather eye on increasing anti-access and sea denial capabilities being developed by other nations in the world, particularly the Middle East and Asia."

These are challenges to our sea control that we currently possess and that enables the United States military to operate freely around the globe. He is, I gather, being asked to contemplate a fleet of as few as 260 ships. I respectfully submit that such a fleet would be unable to maintain the sort of presence and power protection capability that we are likely to require around the world for the duration of this war on terror, particularly in places like the Middle East and Asia.

In the interest of time, I will just touch on concerns about retiring another carrier and cutting back dramatically on submarine production. I have to tell you that when we talk about weapons of mass destruction, we almost always talk about the weapons themselves. There is rampant proliferation in one of the delivery systems for those weapons; namely, advanced propulsion, very quiet submarines. They are capable of putting on this country or other targets of concern to us chemical, biological, nuclear, more traditional weapons of mass destruction, and I think should be viewed as such as well. The only antidote we really have to this threat is our own potent and hopefully numerous fleet of nuclear submarines.

I trust you will be addressing, among other things, how to fund a larger shipbuilding program. I hope one of the things you will consider is in the area of advanced appropriations. Other Federal departments are allowed to do this. It seems to me it may be the only way we can beef up our production of ships as we need to. I realize the time is rapidly getting away from me.

Aircraft production is inadequate, particularly, I have to tell you, in the area of the F–22—F/A–22, an aircraft that it seems to me is going to prove itself invaluable in the kinds of conflicts we will confront in the future. It alone among America's fighter attack in-

ventory may be able to establish and maintain air superiority over territories increasingly defended by advanced anti-aircraft missile systems.

Other aircraft, as you know, are being affected as well. There is an incomprehensible cut in the multiyear procurement just authorized last year of the C–130Js. The V–22 is being slipped and the modernization of existing helicopters is also at risk.

Congressman Spratt mentioned missile defense. I am indeed an advocate of missile defense. I am delighted that President Bush has seen fit to take steps to end our irresponsible vulnerability to the attack, the prospect of attack by ballistic missiles. Like other advocates, I am, of course, disappointed by some of the difficulties we have had with recent testing, but somewhat heartened by the fact that they appear to reflect not a problem with physics or the systems themselves but with some of the quality control. That needs to be fixed.

It also, I think, would behoove us to augment and complement the ground-based missile defense system with sea-based missile defenses, using the Navy's substantial fleet of Aegis ships, airborne laser, and I would like to see also missile defenses in the place that they will do us the most good; namely, space.

A fourth area of concern in this budget, Mr. Chairman, is the industrial base. Congressman Hunter, last year, I think, took some important steps in the Armed Services Committee to address our ill advised, if not downright reckless, growing reliance on foreign sources of supply for critical military equipment. His efforts generated considerable controversy, and, as I understand it, were dropped from the bill.

The problem has not gone away. We confront, I am afraid, a situation where in the future we will increasingly find ourselves at the mercy of people who may not be willing or able to supply us components that are critical to our military's operations on a day-to-day basis, an intolerable situation, needless to say.

A quick word, Mr. Chairman, about the Department of Homeland Security. Others here are more expert on some of its aspects than I. I would just like to make a special plea to you to pay attention to a commission report that was issued ill advisedly about the same time as the 9/11 Commission report was issued. This was generated at the request, I believe, of Congressman Roscoe Bartlett, to look at the danger posed to this country by electromagnetic pulse. This is a phenomenon associated with a nuclear detonation that could be optimized by an attack high over the United States.

Its effects, according to this blue ribbon commission, could be catastrophic if we do not take steps to shield electronic devices which are used, as you know, everywhere, both in our civil society and economy and in our military, to the point where a single burst, say, a North Korean or Iranian nuclear weapon delivered by ballistic missile high over the United States, could literally fry every piece of unshielded electronic gear in the country with—I think, catastrophic is not too strong a term—effect.

I really encourage you to look at whether anybody in the Homeland Security Department is taking aboard the recommendations for corrective action identified by this commission and make it a

priority, because clearly that is an Achilles heel that we cannot afford to live with.

Finally, Mr. Chairman, a word about the Department of Energy National Security Program, something you all may not have otherwise thought you wanted to address, but it is an important reason why I think we are as vulnerable to electromagnetic pulse attack as we are. Because about 13 years ago, I think we stopped thinking very seriously about this problem, coincident with our decision to stop doing nuclear testing. Underground nuclear testing was for years the principal means by which we established vulnerabilities and took corrective action against electromagnetic pulse.

I believe the test moratorium has had a myriad other very negative consequences for our nuclear deterrent. Indeed, it is ironic but today we are the only nuclear power, let me repeat that, the only nuclear power that is capable of producing nuclear weapons. I do not think that is a responsible or sustainable position for this country at a time when proliferation is going forward even without countries like North Korea and Iran doing nuclear tests.

In that regard, Mr. Chairman, I would just have to say one reason why I think we are in this state is I think Congress has been ill served by decisions taken, sort of in the dark of the night last year at the initiative of one of your colleagues, Congressman David Hobson, to cut important nuclear weapons-related initiatives the President has identified as critical to maintaining the future reliability, safety and effectiveness of our nuclear deterrent. I hope these will be addressed as well in the course perhaps of your deliberations and that of other relevant committees in the Congress. It mustn't be allowed to stand.

If so, I think you will go a long way, together with other recommendations I have made here, to meeting the needs for our homeland and national security.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Gaffney follows:]

PREPARED STATEMENT OF FRANK J. GAFFNEY, JR., PRESIDENT AND CEO, CENTER FOR SECURITY POLICY

Mr. Chairman, thank you for affording me an opportunity to address the President's budgets for National and Homeland Security. I appreciate the chance to contribute to congressional deliberations about the adequacy of what is—and must be—our government's highest priority in time of war: "Providing for the common defense."

In general, I commend President Bush for allocating scarce Federal resources to meeting the urgent needs of our military and homeland defenders. As you know, their budgets have been largely spared the deep cuts imposed on other, less vital programs. Instead, the Pentagon and Homeland Security Department are facing reductions in the previously projected growth in spending they would be allocated.

Unfortunately, the effect on the national security is still significant and deleterious. I would like to review briefly areas of special concern in the DOD and DHS budgets and close with a word about the related national security programs of the Department of Energy.

THE DEPARTMENT OF DEFENSE

President Bush's FY2006 budget, together with the supplemental request just submitted to the Congress, mostly—though not fully—meets the immediate requirements of the United States' armed forces, and particularly those associated with the ongoing combat activity in Iraq and other fronts in the War on Terror. A far greater shortfall, however, is this budget's failure adequately to prepare us to deal with major security threats that may present themselves in the next 5-10 years.

Specifically, the budget reflects a growing focus on sizing and equipping the military to contend with unconventional conflicts and terrorist insurgencies. (It remains to be seen whether this apparent bias will still be appropriate in the aftermath of the Quadrennial Defense Review (QDR) now underway, which will—as I understand it—examine other possibilities, including that of the emerging threat from Communist China.)

Of particular concern in this regard is the prospect of cutting programs that are critical to America's future ability to project power as required to implement the national security policy Ronald Reagan dubbed "Peace through Strength." I will have a bit more to say in a moment about the continuing decline in the size of the U.S. Navy's blue-water fleet, the sharp decline in tactical aviation and airlift, and cuts in the vital missile defense program—as well as their implications for the associated industrial bases.

A general observation is in order at this point, however: Cutting money from defense programs essential to our ability to dominate the future battlespace against adversaries armed with sophisticated weapon systems, in the interest of making the military more responsive to lesser threats, is neither penny wise nor pound sensible.

History teaches that such down-scaling of our capabilities merely emboldens prospective foes. Given the trends with respect to China—notably, the cumulative effect of its massive investment in advanced armaments (an investment that may soon be made vastly more ominous if Europe begins supplying Beijing with weaponry) and the PRC's growing appetite for the world's finite oil and gas resources—we face a serious prospect of future conflict with the Communist Chinese even without encouraging them to contemplate it.

To be sure, different types of conflicts can require different types of capabilities. Yet, the sorts of platforms that are the focus of most of the defense budget cuts—an aircraft carrier, nuclear submarines, F/A–22s, the V–22 Osprey and C–130s have in common an inherent flexibility that make them valuable investments in most scenarios currently in prospect.

As members of this Committee know all too well, much of the present problem is a result of fiscal constraints associated with this budget. While the desire to exercise spending discipline is understandable, and even laudable under other circumstances, I would respectfully suggest that it is ill-advised to engage in it at the expense of defense preparedness during wartime.

That is particularly true in light of the fact that the accounts being disproportionately reduced involve investments that have been long-overdue and already subjected to too much budgetary uncertainty. In addition, a number of the programs being cut are now at the point where the bulk of the investment has already been made and the return on that investment—for example, in terms of aircraft procured—can be obtained most cheaply.

MAJOR ISSUES

1. OUR SHRINKING NAVY

Improvements in the combat capabilities of U.S. Navy vessels, changes in the way they are manned and the deferral or elimination of some maintenance are said to allow cuts safely to be made to ship construction schedules and fleet size. The budget request amounts to a $1.7 billion cut in shipbuilding, and reduces the number of new ships to be built from six to just four in the current fiscal year.

This is happening even as the threat posed to America's capital ships grows inexorably. As the Chief of Naval Operations, Admiral Vern Clark USN, told the Senate Armed Services Committee last week:

"* * * We are * * * keeping a weather eye on increasing anti-access and sea denial capabilities being developed by other nations in the world, particularly in the Middle East and Asia. The greatest challenge that we face in the Navy is this: What are the intentions of those nations who are displaying emergent investment patterns that could challenge the sea control that we currently possess that enables the United States military to operate freely around the globe?"

Adm. Clark has testified that he is now contemplating a Navy that has as few as 260 ships. I respectfully submit that such a fleet would be unable to maintain the sort of presence and power projection capability we are likely to require around the world for the duration of the War on Terror. That is especially true if, as the foregoing quote makes clear, the Navy is going to be facing vastly more serious threats to its ships, "particularly, in the Middle East and Asia."

I share the concern expressed by others about the proposed early retirement of the conventionally powered aircraft carrier, the USS John F. Kennedy. While the Navy is to be commended for improvements it has made in the readiness and avail-

ability of carrier battlegroups (CVBGs), it is clear that eliminating the ship at the core of one of these units will make sustaining such schedules problematic. It will almost certainly result in leaving the Nation unable to respond as we may need to in the event of future acts of aggression, or acts of God. Worse yet, current funding projections suggest that the Navy may ultimately be reduced to as few as 9 CVBGs. Such unilateral disarmament is reckless in the face of the emerging challenges to our maritime power and interests.

Other cuts that will dramatically slow the builds of Navy blue-water combatants are no less troubling. Especially worrisome is the decline in the number of nuclear attack submarines (SSNs) contemplated by a build-rate of just one-per-year for the foreseeable future. As I noted above, these vessels have proven to be among the most flexible platforms in the American arsenal—performing vital sea-control, intelligence-collection and land-attack functions, among others.

We often talk about proliferation of weapons of mass destruction in terms of chemical, biological and nuclear arms. It has been observed, however, that extremely quiet, advanced-propulsion submarines should also be considered a type of WMD, insofar as they can be utilized with great effect to deliver the other kinds of such weapons. The best antidote we have to the world-wide proliferation of these submarines is a large and potent fleet of our own SSNs. At the low rate of production and with refueling overhauls being slipped, we risk being unable to counter the potent threat posed by prospective enemies' growing submarine warfare capabilities.

I hope that the Committee, as it weighs the adequacy of a 4-ship building plan for FY 2006, will consider endorsing an approach other Federal departments have been allowed to use, but not the Department of Defense—namely, advanced appropriations. As you know, Mr. Chairman, in the absence of such a practice, CBO scorekeeping has the effect of forcing the Navy to "pay" for each ship up front, even though payments for the construction of most are actually made over several years time. This practice is contributing to the current, grossly inadequate shipbuilding program.

2. CUTS IN AIRCRAFT PROCUREMENT

Cuts to major aircraft programs in the FY06 budget request are financially unwise and come at a time when potential enemies are upgrading their air capabilities and defenses. I am particularly struck by the reduction in the number of F/A–22 Raptors being purchased, in light of the plane's extraordinary performance and the prospect that it alone among America's fighter/attack inventory may be able to establish and maintain air superiority over territories increasingly defended by advanced anti-aircraft missile systems.

A similar logic seems to be at work as with the Navy. Better performance, higher reliability and more cost-effective sustainability is said to justify cuts in the number of units procured. At some point, however, even vastly superior weapons can be overwhelmed by less capable ones. We are entering an era in which there will be many fighters far more advanced than those we designed in the 1970s, as well as fourth-generation air defenses, in unfriendly hands. If our objective is to deter war—not just prevail if it occurs—we must be capable of giving our troops not only unsurpassed equipment, but sufficient quantities of such gear, as well.

Unfortunately, the planned cuts will not only deny the Nation the least costly and most capable F/A–22s, i.e., those that would otherwise be purchased at the back-end of the production run. They will also cause the production line to shut down 3 years ahead of schedule—well before the fruits of the Joint Strike Fighter program are fully validated; the latter aircraft does not IOC until 2013.

I would be happy to discuss with the Committee my concerns about other reductions, including those that will cause a costly termination of the previously authorized C–130J multi-year procurement, stretch out production of the transformational V–22 Osprey, and defer planned modernizations of the Huey, Cobra and Super Stallion helicopter programs.

3. MISSILE DEFENSE

Mr. Chairman, I have long believed that it was irresponsible for the United States to choose deliberately to be vulnerable to ballistic missile attack. Consequently, I commend President Bush and his national security team for taking the steps necessary to complete development and begin the deployment of anti-missile defenses.

Like other proponents of such a course of action, I am of course disappointed by the difficulties encountered in recent months in aspects of the Ground-Based Missile Defense test program. It is important to note that these difficulties appear to involve quality control issues associated with certain software and test interfaces, not

a fundamental problem with the GBMD system itself, let alone the physics of missile defense.

Having said that, these persistent problems reinforce my conviction that the Nation needs near-term defense-in-depth against missile attack. For that reason, I am generally comfortable with the cuts proposed in the President's budget for the Kinetic Energy Interceptor, a medium-term research and development effort, but would urge a far more aggressive investment in sea-based anti-missile systems using the Navy's Aegis ships and full funding for the Airborne Laser program, coupled with accelerated funding for developing and fielding missile defenses where they will do the most good—in space.

4. DETRIMENTAL EFFECT ON THE INDUSTRIAL BASE

I have alluded above to the negative effects of the proposed cuts on the U.S. industrial base. In my experience, Members of Congress are generally well aware when jobs are jeopardized by programmatic slips or cancellations. My view has long been that the defense budget is not, and should not be viewed as, a jobs bill. If programs are not justified on their merits, spending should be applied to meet the military's many other, pressing needs.

There is, however, a real danger entailed in allowing the military's needs to be met through potentially unreliable off-shore sources. I commend the Chairman of the House Armed Services Committee, Rep. Duncan Hunter, for the efforts he made in the 2005 Defense authorization bill aimed at addressing this challenge. While the various remedies he proposed were highly controversial and ultimately not included in the final version of that legislation, the problem he identified has certainly not gone away.

It is simply intolerable to contemplate American servicemen and women possibly being put at risk due to a foreign supplier's unwillingness or inability to provide needed components or spares in time of war. I urge the Congress to address this issue anew as part of its deliberations on the adequacy of this budget and the industrial base needed to support our armed forces and national security policy.

THE DEPARTMENT OF HOMELAND SECURITY

As with the Defense Department's budget, real growth in proposed spending by DHS in FY2006 is commendable, but not sufficient to the tasks of securing our homeland. In the interest of brevity, permit me to offer but one example that illustrates the magnitude and complexity of the challenge in a time of terror and war—and the need for an even greater Federal effort to meet it.

As I hope members of this Committee know, a blue-ribbon, congressionally mandated commission recently conducted a detailed assessment of the effects of a nuclear attack on the United States involving the detonation high above the Nation of a ballistic missile-delivered weapon. The panel, which was charged with "assessing the threat to the United States from an electromagnetic pulse (EMP) attack," concluded that the EMP effects of such an attack at altitudes between 40 and 400 miles above this country could so severely disrupt, both directly and indirectly, electronics and electrical systems as to create a "damage level * * * sufficient to be catastrophic to the Nation." Worse yet, the commission concluded that "our current vulnerability invites attack." (The executive summary of this classified report can be viewed at *http://armedservices.house.gov/openingstatementsandpressreleases/108th congress/04-07-22emp.pdf*)

It is not clear from a review of the Homeland Security Department's budget what office, if any, would be responsible for responding to the EMP Threat Commission's recommendations for urgent action to reduce our vulnerability to such an attack. This is a monumental undertaking, requiring shielding and other measures to mitigate disruptions and prevent extensive damage to systems upon which virtually every aspect of life in America depends today.

Failure to take such steps could mean that a single North Korean or Iranian missile, possibly launched from a ship off the coast of the United States, could instantly transform this country from an advanced 21st Century society to an 18th Century one. It is hard to imagine a more devastating form of terror than that entailed in the dislocation, hardship and destruction that would accompany an America returned to a pre-industrial state—except now with its population crowded into cities that could not function.

Let me emphasize that this problem is not confined to the civilian economy. It applies as well to our military. Which brings me to a point that I hope you, Mr. Chairman, and your colleagues will address forthrightly in the 109th Congress.

One of the reasons this country is so vulnerable to EMP attack is that we largely stopped worrying about this phenomenon thirteen years ago. In 1992, the United States adopted a moratorium on nuclear testing, thus precluding the most rigorous and reliable means of establishing the susceptibility of electronic systems to electromagnetic effects.

The folly of foregoing such testing has only been compounded by the reality that our moratorium has also had very deleterious effects on our nuclear deterrent. For example, we no longer can be certain that the weapons in our arsenal will work as they are supposed to. We are reduced to relying on what amounts to informed scientific guesswork based on computer simulations. Guesses are no substitute for the certitude we need when it comes to such life-and-death matters.

One thing is certain: Our stockpile is not as safe and reliable as we could make it. Without realistic testing, we can only introduce changes in the components or designs of existing weapons at the risk of further degrading confidence they will work.

What is more, we are unable to introduce new designs that would be better suited to countering threats posed by countries like Iran and North Korea than the hugely destructive weapons developed more than twenty years ago to counter targets in the Soviet Union.

Worst of all, these costs have been incurred for no good reason. Neither North Korea nor Iran have, as far as we know, conducted nuclear tests on their way to joining the "nuclear club." Consequently, it is now indisputable that the United States' foreswearing underground testing has not had the promised effect—impeding proliferation.

In an important analysis published recently by the Center for Security Policy (*http://www.centerforsecuritypolicy.org/A—Different—Approach.pdf*), Vice Admiral Robert Monroe USN (Ret.), a former director of the Defense Nuclear Agency, argues persuasively that if we are to have any hope of preventing proliferation in the future, the United States must maintain a credible nuclear deterrent—and undertake the associated testing, developmental and industrial actions.

I regret to inform you that a leading Republican member of this House—Rep. David Hobson, Chairman of the House Energy and Water Resources Appropriations Subcommittee, has played a decisive and highly counterproductive role by working to prevent the Department of Energy from making virtually any progress in these areas. I very much hope that this committee, and others concerned with the adequacy of the measures being taken to provide for the Nation's security will ensure that the Nuclear Weapons Program and associated activities—including assessing our vulnerability to EMP—are funded, along with the Departments of Defense and Homeland Security, to "meet the needs."

Thank you, Mr. Chairman.

Chairman NUSSLE. Thank you for your testimony.

Next on our witness list is Dr. James Jay Carafano, senior research fellow from the Heritage Foundation. Welcome. We are pleased to receive your remarks.

STATEMENT OF JAMES JAY CARAFANO

Mr. CARAFANO. Thank you, Mr. Chairman, and I commend the committee for grouping homeland security and defense together as a single issue, as I think that type of dialogue and discussion is long overdue. I think the analysis suggests that if you look at the spending in defense and homeland security as a percentage of GDP spending, either in historic terms or looking at the nature of the strategic challenges in the world today, I think you could argue that this year's budgets are appropriate.

My concerns, actually, are slightly different. One is the capacity to maintain adequate levels of defense and homeland security spending in the outyears, which I think is the real issue, and the second is making sure that the spending in defense and homeland security is efficient and effective and not just the right overall level.

There, I think, the challenges of defense or homeland security are fundamentally different, and I would just like in my opening statement to touch briefly on both of those. But I would just like to take a second to put the analysis in context.

I think one of the things I think we should have done on September 12 is asked a question, which is what does it take to win a long war, because this essentially will be another protracted conflict and there are options.

If you look through history, the way most countries fight long wars is as wars get protracted, whether it is the Polyponesian War or World War I, what states do is they tend to pull power to the center because they are trying to generate the power to win.

So they become more authoritative. They increase taxation. They are more directive because they are trying to generate this power to win. The irony is, in the process of doing that, is that it eventually becomes less competitive, and they generate less power because the States become less productive and less flexible. So typically you see at the end of protracted conflicts both sides are prostrate, and the question is who won and the answer is who doesn't matter.

There are very few exceptions to that history. One of the exceptions is the United States during the cold war, where the United States actually came out of a long protracted conflict in better shape in the economy or in terms of the protections of civil liberties to its citizens or its national security interests than it did at the beginning. The question is what was done differently.

I think you go back to the Eisenhower years and look at some of the fundamental strategic choices that Eisenhower tried to put in place in terms of the fundamental strategy that really suggest why what we did during the cold war was different.

Eisenhower says you really need three things. Really everybody kind of follows after that. First of all, one of the components of a long war strategy is you have to have security, you have to have offense. You can't let the enemy have the initiative in the war. You have to have the ability to take the initiative in any war. So you got to have an offensive component. So you have to have a defensive component.

Certainly that is true in the war on terrorism. We live in a world that thrives on the free exchange of goods, services, people, ideas, we like it that way. It is what makes the country strong, we want to maintain that. But that always means that there are going to be threats that find ways to get to our shore, and we have to defend against them. So you have to have security. But Eisenhower said, you know, that is not good enough.

He made a point, for example, when he responded to things such as the launch of Sputnik. You know, he said it is guns and butter, stupid. He says you have to have both. A strong economy is the foundation of what allows you to compete over the long term.

So part of a long war strategy is, one, security, but at the same time you have to have the promotion of economic growth.

And the third component is you have to protect the civil liberties and privacies and freedoms of your citizens, both because that is what makes you a stable nation and allows you to compete over the long term. But what I think, and often forgotten to mention, is it

is those civil liberties and protection of personal freedom which in many cases are the engine of economic growth.

In all of our research, what we have done is to say we need security solutions that do all three. You can't and shouldn't make trade-offs if we really want to win a long war. We need security, both offense and defense. We need policies that promote economic growth, and we need to promote the private and economic liberties of our citizens.

Addressing those challenges in defense and homeland security, I think, are effectively different sets of problems. I think in Defense we have a long tradition of understanding the trade-offs that need to be made, and we have frameworks for discussing them. I think the problems in defense are really twofold. We really—I think the administration and the Congress really need to have kind of a joint strategic direction.

One is in the short-term spending I would certainly make the argument that supplemental spending needs to be done outside the general budget. I would do that for two reasons, both really lessons from Vietnam. One is when you put supplemental spending for ongoing operations inside the main budget, typically what happens, it begins to eat away from other operational activities in the main budget.

This was certainly the problem in Vietnam where the war in Vietnam basically ate up everything. It ate up the modernization costs, it ate up the maintenance of the force in Europe, and it essentially drained everything else.

The second reason, which I think is equally important, is it is important to get the supplemental funding out, to get these monies out, these operational activities quickly and efficiently and as quickly as possible. Holding them up for the regular budget process only costs months, but those are critical months in terms of spending the money efficiently and effectively, I think certainly in the short term to prosecute the war effectively, and that it is important to keep the supplemental funding outside the main budget.

The second issue, and I think a more important issue, addresses, I think, what really is in the long term. When we came out of Vietnam in 1973, what we immediately did was war over, let us cut the budget.

What we immediately wound up with is what was called the hollow force. The hollow force is you have three main things you have to do. You have to maintain a trained and ready force. You have to modernize and you have to pay for current operations. If you don't have enough money to do all three, you may have the numbers, you may have the flags, but you don't actually have the capacity to act. So what you wind up with was for really a decade a force which was there in name only.

Those surpluses will certainly reappear when we come out of Iraq. I don't really worry about this year or next year. I worry about actually when we came out of Iraq and the supplemental funding ends and everybody is living in the top line, because then we are going to have to meet all three of these challenges. If we don't have robust defense budget in the outyear, we will wind up right back in 1972 all over again.

Let me just very quickly turn to the question of homeland security. There I think we really don't have a framework to really have the discussion. I think the problem there is basically efficient and effective spending, for two reasons.

One is because we simply don't have the way to define the strategic requirements and the priorities in a way that we really are making sure that we are putting our money against the most important things.

The second thing is we really don't have a metric for really figuring out where is the biggest bang for the buck. Pick an issue—if you had picked either border security or immigration security or transportation or supply chain, we really don't have a way to argue. If I can only spend a dollar, where am I going get my best payoff for the dollar. So what we really have is we have a lot of spending going on a lot of different things. It is really by stakeholder as opposed to spending by strategy. The money is really going to the stakeholders, which can have the biggest play on the process, as opposed to necessarily what the most strategic spending is. To me that seems to be the real greatest terms, it is not the level of homeland security spending, but actually whether it is actually making us safer or not.

Thank you.

[The prepared statement of James Carafano follows:]

PREPARED STATEMENT OF DR. JAMES JAY CARAFANO, SENIOR RESEARCH FELLOW, THE HERITAGE FOUNDATION

Chairman Nussle, Ranking Member Spratt, and other distinguished Members of the committee, thank you for the opportunity to discuss homeland security and defense spending. I want to make three points today. First, we are spending the right amount on defense and homeland security. Second, even though we may begin drawing down forces in Iraq, we need to maintain defense funding levels to prevent returning to the hollow force of the 1970s. Third, Congress needs a set of strategic principles to create a comprehensive approach to homeland security spending, instead of wasting money in a scattershot approach to programming.

A SHORT REVIEW OF FEDERAL SPENDING

With the recent delivery of the President's budget request to Congress, it is time to consider what defense and homeland security funding levels should be. But first, it is important to consider some budget history.

The Federal Government has expanded substantially during the past century. One of the best measures of the burden that the Federal Government, as a whole, imposes on the national economy through its spending policies is the percentage of GDP taken up by outlays. During the nation's first 140 years, the Federal Government rarely consumed more than 5 percent of the GDP. In accordance with the U.S. Constitution, Washington focused on defense and certain public goods while leaving most other functions to the states or the people themselves.

The Great Depression brought about President Franklin Roosevelt's New Deal, a program that expanded government in an attempt to relieve poverty and revive the economy. President Roosevelt created the Social Security program in 1935 and also created dozens of new agencies and public works programs. Although the economy remained mired in depression, the Federal Government's share of the GDP reached 10 percent by 1940.

World War II pushed the United States into the largest war mobilization effort the world has ever seen. From 1940 through 1943, the Federal Government more than quadrupled in size—from 10 percent of GDP to 44 percent. The enormity of this 34 percent government expansion cannot be understated: An equivalent expansion today would cost $3.9 trillion, or $37,000 per household. Even with a top income tax rate of 91 percent, the nation could not fund World War II on tax revenues alone. The nation ended the war with a national debt larger than the GDP (which is three times the size of today's national debt). Following the war, Washington's share of the economy fell back to 12 percent of GDP in 1948.

In the long decades of Federal expansion from the end of World War II to former President Ronald Reagan's election, Washington expanded into several new policy areas, creating the Departments of Health, Education and Welfare (in 1953; eventually becoming Health and Human Services), Housing and Urban Development (in 1965), Transportation (in 1966), Energy (in 1977), and Education (in 1979; it had been a part of Health, Education and Welfare).

Federal spending generally fluctuated at just over 20 percent of GDP throughout the 1980s and early 1990s. However, in the last few years spending has sharply increased again as the war on terrorism collided with domestic spending.

CHANGES IN THE COMPOSITION OF FEDERAL SPENDING

Over time, the composition of Federal spending has evolved as well. Between 1962 and 2000, defense spending plummeted from 9.3 percent of GDP to 3.0 percent. Nearly all of funding shifted from defense spending went into mandatory spending (mostly entitlement programs), which jumped from 6.1 percent of GDP to 12.1 percent during that period.

The importance of this evolution cannot be understated. For most of the nation's history, the Federal Government's chief budgetary function was funding defense. The two-thirds decline in defense spending since 1962 has substantially altered the make-up and structure of the U.S. national defense.

After 28 consecutive years of budget deficits, the 1998 fiscal year ended with a $69 billion budget surplus. These budget deficits, which had reached 6 percent of GDP in 1983, were eliminated by a combination of three factors: First, real defense spending plummeted by 30 percent in the 1990s as a result of winning the cold war. Second, tax revenues reached their highest level since World War II as a result of the economic boom. Third, legislative gridlock between Democratic President Bill Clinton and the Republican Congress doomed most new spending initiatives and allowed spending growth to slow to a crawl.

The arrival of budget surpluses, however, saw Federal spending accelerating once again. These spending increases went mostly unnoticed because tax revenues continued pouring in at a pace rarely seen in American history, culminating in a $236 billion budget surplus in 2000.

Between 2001 and 2004, wars with Afghanistan and Iraq were funded by a 48 percent increase in defense spending. Homeland security spending, which had not even existed as a category before September 11, leapt from $16 billion to $33 billion. The low defense spending that helped bring balanced budgets in the late 1990s was over.

APPROPRIATE SPENDING LEVELS

Although not quite reaching the levels it did under President Lyndon Johnson, Federal spending during the war on terrorism has more closely reflected the Vietnam-era spending binges than the spending restraint of World War II and the Korean War. Spending not related to defense and 9–11 increased by an average of 5 percent per year from 2001 through 2003. That 2-year, 11 percent increase in non-security spending represents the fastest growth in a decade. At a time when defense and homeland security priorities require especially tight non-security budgets, lawmakers have not made necessary trade-offs, and in fact, have accelerated non-security spending growth.

Budgets are about setting priorities, and the central priorities of the Federal budget are to defend the American people from external threats and to protect individual's paychecks. We should learn the lessons of the Eisenhower presidency and stick to the economic strategies mapped out by the Bush Administration after 9–11. This requires appropriate funding for defense and homeland security while keeping taxes low. In doing so, policymakers must deal with two truths:

Defense and homeland security spending are critical elements of our nation's future. The world has changed and so must America's security budget. Although defense and homeland security costs dropped to 3 percent of GDP in the 1990s, they have since rebounded to 4.4 percent of GDP—representing a $160 billion increase. Given the long-term dangers posed by transnational terrorist groups—as well as the proliferation of weapons of mass destruction and other dangers that might arise from aggressor, enabler, or slacker states—American security spending must likely remain at this higher level indefinitely.

PREVENTING ANOTHER HOLLOW FORCE

As the Iraqis begin patrolling their country, there will be pressure to cut the military's budget. Congress should maintain funding levels for defense or we risk returning to the hollow force we had after Vietnam.

After Vietnam, Congress moved quickly to downsize the military and cut funding. The Army became a "hollow force" with inadequate troops, training and equipment. By the end of the decade, Army Chief of Staff Edward "Shy" Meyer told President Carter that only four of the service's 16 active divisions stood ready for battle.

The Reserves were even worse off. Recruiting plummeted after the war. Nearly one out of every two volunteers for the new post-draft "all-volunteer force" was a high-school dropout or scored in the lowest category on the Army's intelligence test.

I was a lieutenant in the hollow force. When I was commissioned from West Point, our class was told, "It's an OK Army." In a way, this was correct. There was no money to modernize weapons and equipment. That task had been deferred to pay for the war, and units didn't have enough people to train on the equipment, anyway. Even if they had the people to fill the ranks, there wasn't enough money to pay for training and maintenance. It was all OK—as long as we didn't actually have to fight anybody.

In the 1980s, an adrenalin shot of funding from the Reagan administration saved the services. Some parts of the force, such as the National Guard, still never got the resources they needed, but by the end of the cold war, after a decade of investment, it again was an Army to be proud of. In 1991, as the operations officer of an artillery battalion in Germany, I sent part of my unit to support Operation Desert Storm. I never worried about them for a minute. They were terrific kids, well-trained and well-armed.

The post-cold war drawdown took its toll on the military. Defense spending as a percentage of GDP sank to its lowest levels since the outbreak of World War II. The Clinton administration took a prolonged procurement holiday and cut the force to the razor-thin minimum needed to get by.

One presidential term, particularly with all the demand for military forces in the war on terror, wasn't enough to get us the military we needed for the 21st century. And Iraq is making transforming even tougher. Operations are straining the force. Helicopters are wearing out at five times their anticipated rate. Trucks are going into overhaul five times faster than anticipated. America's military is serving the nation well, but it's becoming a tired warhorse.

After Iraq, it'll be 1973 all over again. There will be pressure to balance the budget on the back of defense cuts. Pentagon proposals for trimming spending are already floating around Washington like inauguration-parade confetti.

Cutting funding levels before resetting the military for its next mission is a bad idea. The military has been stretched, and it shows. The National Guard alone has had to transfer more than 74,000 soldiers from one command to another just to fill the ranks deploying overseas. Since 9–11, the Army has transferred more than 35,000 pieces of equipment from non-deploying units to forces in Iraq, leaving the stay-behind commands lacking more than a third of their critical equipment. Thus it is critical to maintain sufficient funding levels so the Defense Department has time to refit the force.

PRINCIPLES FOR DEFENSE SPENDING

There are areas where chronic under funding hinders the armed services. For instance, there have been shortages for such programs as vehicle armor, military construction, aircraft survivability equipment, and ballistic missile submarine communications. Sustained budgets are necessary to ensure that America's forces are prepared for the future.

PRINCIPLE NO. 1: WAR SPENDING SHOULD BE SEPARATED FROM THE REGULAR DEFENSE BUDGET

Until the drawdown in Iraq begins, Congress must provide timely supplemental funding. There are multiple reasons for separating war costs from the regular defense budget. First, a war cannot be run on the budget's schedule. It takes over 2 years to develop and pass the defense budget. Given the long planning stage, the potential for hold ups, and the inconsistency between the war's schedule and the budget's, it is prudent to bifurcate war spending from regular defense spending. Second, inserting war costs in the regular budget could eat away at critical programmatic funding, thus weakening the military and preventing transformation. Third, by keeping the costs of the war separate from other defense requirements, it will be easier to track just how much we as a nation are spending on the war. Finally, the costs of prosecuting the war have not yet become stable, so it would be very difficult to do the longer range cost projections needed for the budget.

PRINCIPLE NO. 2: KEEP DEFENSE SPENDING AT ABOUT 4 PERCENT OF GDP

The United States can reasonably afford to dedicate up to 4 percent of GDP to defense—a level of spending that would be well within historical norms. Given a focused and well-balanced modernization strategy, this level of spending would be adequate to maintain a force capable of protecting U.S. territory and interests today, as well as to field an adequate force in the future.

PRINCIPLE NO. 3: PROVIDE ADEQUATE MONEY FOR TRAINING AND READINESS, MODERNIZATION, AND CURRENT OPERATIONS

By definition, a hollow military is one which cannot support training, modernization, and current operations. To avoid returning to that type of military, the Defense Department needs a steady stream of funding at today's levels to allow it to revitalize the nation's forces. If funding cuts begin in conjunction with the draw down in Iraq, the military will not be able to prepare for future operations, restock and update its equipment, while maintaining current operations.

PRINCIPLES FOR HOMELAND SECURITY SPENDING

Merely disbursing funds to meet many demands risks spending a little on everything and not providing much security for anything. Investing in the wrong priorities can be equally troubling. Congress cannot address homeland security funding in a piecemeal fashion. They must wade through a maze of proposals without losing sight of the big picture. Congress and the administration should agree on a set of strategic guiding principles that will allow smart spending to replace more spending.

PRINCIPLE NO. 1: BUILD A NATIONAL HOMELAND SECURITY SYSTEM

The first and highest priority for Federal spending must be investments that assist in creating a true national preparedness system—not merely supplementing the needs of state and local governments. Dollars that might be needed to equip every state and U.S. territory with sufficient resources to conduct each critical homeland security task could run into the hundreds of billions. Although the Federal Government has a responsibility to assist states and cities in providing for homeland security, it cannot service every one of their needs. Indeed, state and local governments are having difficulty absorbing and efficiently using the Federal funds that are already available.

Federal funding should focus on programs that will make all Americans safer. That includes providing state and local governments with the capability to integrate their counterterrorism, preparedness, and response efforts into a national system; and expanding their capacity to coordinate support, share resources, and exchange and exploit information. In addition, the Federal Government must enhance its own capacity to increase situational awareness of national homeland security activities and to shift resources where and when they are needed.

PRINCIPLE NO. 2: PREPARE FOR CATASTROPHIC TERRORISM

The age when only great powers could bring great powers to their knees is over. Long before 9–11, national security experts argued that modern technology and militant terrorist ideologies are creating conditions that increase the potential for catastrophic attacks—risking tens of thousands of lives and threatening hundreds of billions of dollars in damage. Catastrophic threats will overwhelm the response capacity of any state or local government.

The Federal Government must be prepared to fund the lion's share of response preparation to these threats. Priorities must be: detecting smuggled nuclear, radiological, chemical, and biological weapons; improving decontamination and medical responses to such dangers; ensuring the protection of critical infrastructure whose destruction might result in catastrophic damage; and harnessing scientific knowledge and tools for counterterrorism efforts.

Assistance on the state and local level should focus on medical surveillance, detection, identification, and communication so that problems can be identified quickly and regional and national resources can be rushed to the scene. Meanwhile, Federal programs should be exploring innovative solutions for increasing national surge capacity. Appropriators should support Administration efforts to shift resources from hospital-preparedness grants to more relevant national biomedical-preparedness programs.

PRINCIPLE NO. 3: GET THE BIGGEST BANG FOR THE BUCK

Congress should also direct funding toward programs that provide the greatest contribution to supporting the critical mission areas established by the homeland security strategy. Getting the "biggest bang for the buck" is a worthwhile criterion for guiding spending decisions.

No area deserves more attention than the challenge of maritime security. Estimates for enhancing support security run into the billions of dollars. Lobbying efforts are underway to demand dramatic increases in Federal port grants—as much as $400 million per year. On the other hand, the Administration has proposed limiting port grants in FY 2005 to $50 million. The government's restraint is appropriate. The infrastructure at U.S. ports is so vast that providing resources for other than the most critical of needs may not be prudent. On the other hand, grant programs have proven far more effective when Federal money has been used to encourage public-private partnerships that adopt sustainable and effective port-security programs.

To address the considerable vulnerabilities of maritime infrastructure, the greater share of Federal dollars might be more effectively used by investments in effective intelligence and early warning, domestic counterterrorism, and border and transportation security programs. These could help to reduce risks by limiting the opportunities for terrorists to reach U.S. ports.

PRINCIPLE NO. 4: WATCH INFORMATION TECHNOLOGY SPENDING

Congress needs to pay particular attention to homeland security programs with significant IT components. The Federal Government's track record in developing IT networks is checkered at best. Programs that lack senior leader involvement, well-developed enterprise architectures, appropriate management and contractual oversight, and effective risk-mitigation strategies often find that results fail to meet expectations or that IT costs balloon out of control—crowding out funding for other critical operational needs.

The Department of Homeland Security is no exception. The DHS Inspector General has already warned that IT management represents a major challenge for the department. Congress must watch these efforts closely.

PRINCIPLE NO. 5: FUND HUMAN CAPITAL PROGRAMS

Human capital programs, training, professional development, and career management initiatives often receive far less attention than big-dollar acquisition programs that buy expensive, high-tech equipment. Yet human resources are often far more critical to the long-term development and success of an organization. This dynamic is particularly true for the Department of Homeland Security, which has to wed the culture and skills of over 180,000 personnel from 22 different agencies, activities, and programs into one cohesive, versatile, and effective workforce.

PRINCIPLE NO. 6: CONSIDER NON-HOMELAND SECURITY FUNDING

A final concern that must be carefully addressed by Congress is ensuring that homeland security and non-homeland activities covered by the same appropriation are not placed in competition with one another. About one-third of the DHS budget, for example, funds non-homeland security related activities. Additionally, within the department's accounts, many appropriations fund both homeland security and other missions. In some cases, it is virtually impossible to differentiate personnel costs and other general expenses supporting specific activities. Thus, under-funding non-homeland security missions or unnecessarily burdening DHS with non-essential activities could significantly detract from the department's capacity to perform its domestic security tasks.

CONCLUSION

In conclusion, defense and homeland security spending is at a proper level. That level needs to be maintained in the future, once we pull out of Iraq, to allow the military to recover from its recent operations or face creating another hollow military. Finally, homeland security spending should be targeted toward the areas where it will be able to have the greatest impact.

Once again, thank you, Chairman Nussle and the rest of the Committee for holding this hearing and for inviting me to participate. I look forward to answering any question you might have.

Chairman NUSSLE. Thank you very much.

Next we will hear from COL Randall Larsen, the CEO of Homeland Security Associates. Welcome, and we are pleased to receive your testimony.

STATEMENT OF COL RANDALL LARSEN

Colonel LARSEN. Thank you, sir. Mr. Chairman and distinguished members, the priorities I am going to give you today——

Chairman NUSSLE. You need to turn on your microphone, please.

Colonel LARSEN. The priorities I will give you today and that were in detail in my statement will remain constant, regardless of what is on the next news cycle, regardless if al Qaeda hits a shopping mall today or a chemical plant tomorrow, because the priorities I gave you are strategic priorities, not tactical. We have spent far too much time working at the tactical level and defending our homeland since 9/11.

Now what happens at the tactical level? You end up with spending programs that are basically ready, shoot, aim. That is understandable on the 12th of September in 2001. We had to take fast action to do things. We are 3½ years down the road now, and in my opinion we don't have the proper strategy for defending this Nation against terrorism.

Dr. Carafano talked about General Eisenhower's recommendations for the cold war. I borrowed the strategy that I provided the Committee on Government Reform last year from George Kennan, containment, but it is different than what George Kennan talked about containment in 1947. We must have a strategy that will help us contain the capabilities, global reach and financial resources of terrorists and terrorist organizations. It is going to be here for a while, the threat. We must contain the proliferation of weapons of mass destruction, particularly those that threaten our survival, nuclear and biological weapons, and we must contain our response to these new threats.

We must not overreact, either as the U.S. Congress, the administration, or the American public. Now I know the pressures that you are under every time you go back to your home district. I know that people back there tell you we need to spend money to secure seaports, airports, train stations, shopping malls, government buildings, chemical plants and other critical infrastructure. I understand that every fire department, sheriff's department, police department, emergency management agency and hospital in your home district says I need more money. The demand is unlimited.

However, my recommendation to this committee is that you focus the spending of the Congress on threats, not targets and not organizations. There are about 87,000 different jurisdictions out there involved in homeland security. All of them look to you for money.

So where do I think you should be focusing your spending? Where will we get, as Dr. Carafano talked about, the best return on investment? As a taxpayer that is certainly what I am interested in, that and security. So let us talk quickly about the nuclear threat.

It is physically and economically impossible to harden America against an attack. There is no effective response to a nuclear weapon in a U.S. city. So our only option is to prevent al Qaeda from getting their hands on weapons grade nuclear material.

On September 30, 2004, at the end of the first presidential debate, both presidential candidates said if elected, their number one priority would be to prevent terrorists from getting their hands on weapons grade nuclear materials.

Now, I know Mr. Gaffney likes—is a big fan of missile defense, and primarily I think when they talk about missile defense, we talk about—we think a nuclear weapon. It is certainly not the way to deliver a biological weapon.

My concern is that there are many ways to deliver a nuclear weapon. Probably the easiest way to deliver a nuclear weapon to Washington, DC, would be to put it in the trunk of my car that I drove down here this morning. I sometimes think we are spending too much money on delivery systems, instead of the weapons.

The other weapon where I think you need to focus your spending, the threat, is the biological threat. I am afraid that too many people in this town do not understand that we cannot prevent the enemy, al Qaeda or other terrorist organizations, from building and using a biological weapon. We have the means to prevent al Qaeda or terrorist organizations from building a nuclear weapon with programs like the Nunn-Lugar program to prevent them from getting their hands on the material. I can build a nuclear weapon if I can get about 9 pounds of plutonium or about 80 pounds of high highly-enriched uranium.

By the way, the University of Wisconsin research reactor has enough highly enriched uranium to make three Hiroshima bombs. There are about 140 of those facilities around the world. But there is a way to do that. There is a simple answer. There is no simple answer for protecting this country against biological weapons. With modern technology, it is far too easy to build one. So, therefore, we must focus our spending on programs that will give us an effective response and mitigation to biological weapons.

Now, there are different types. There are those that affect people and, Mr. Chairman, I know being from Iowa you understand the threat of agro-terrorism. The animal most susceptible to foot and mouth disease is the hog. In Iowa there are 5.3 hogs for every human being. That is the most dense concentration of hogs in the United States. I will tell you that foot and mouth disease will move through a swine feed lot like a prairie fire through dry grassland.

In an exercise several years ago called Crimson Sky, Senator Pat Roberts played the President of the United States. He had to order the killing of 50 million cloven-hooved animals to get the FMD under control. I will never forget the question that Deputy EPA Administrator asked the DOD representative: "Do you have 50 million bullets?" Just imagine the enormity of having—it is not a threat to human beings, but imagine the economic and psychological impact of doing something like that.

Our short-term goal for biological defense, whether we are talking about agro-terrorism or public health, is that we need information technology to provide improvements for mitigation and response capabilities. We have no situational awareness today. If an attack happened today, we are not going to know what is going on. We don't really know how to organize our response.

I have been in the business since 1994. I find it very frustrating that we have made very few improvements. The mid-term goal

should be the creation of a national system that can detect and respond to and mitigate catastrophic health care crises, whether it is manmade or naturally occurring.

Long term, there are two areas we have to focus on. First, something the Defense Science Board recommended a few years ago, called bug-to-drug in 24 hours. We detect a new pathogen and create a treatment for it all within a 24-hour period, which is doable in the long term.

Second, we need something called preclinical detection. That means developing a test that would detect a disease organism in your body before you have symptoms. That technology is capable in the long term. Imagine the dual benefit of those sorts of technologies in everyday healthcare. We all know early detection and response is the key.

Information is the other area that is very important. I see it as an asymmetric advantage over all of our enemies, particularly terrorists. Information is the weapon terrorists fear most, finding out about them, detecting them when they travel. The 9/11 Commission report made a very clear point of that. I think a lot of work has been done by the think tanks in this town, particularly the Potomac Institute, looking at how we can leverage information technology and at the same time protect civil liberties and privacy.

The one thing I know for sure about information is when my family and I get on an airplane I would like to know that the guy sitting next to the my daughter is not on a terrorist watch list. The system we have today doesn't provide me that. So we certainly must do something about that. I think the next time a major attack occurs the American public is going to ask you why don't we have a nationally standardized identity system in this country.

Mr. Chairman, I speak to audiences all across the country from the private and public sector, and I go back to my statement, I know there are enormous demands on you to spend money on a lot of different things, and I know we will. We will spend money on ports, we are going to spend money on a lot of things. But I want you to keep this in mind when you make these decisions this year about your priorities, and when you get done with the whole appropriations process have we really set the right priorities in how we are spending our money.

I always give my audiences this perspective. Since 2001 not a single American has died from terrorism on our soil. But in the past 3 years 15,000 Americans have died from food poisoning, 120,000 from automobile accidents, 300,000 from medical mistakes, 1.5 million from cancer, and 2 million from heart disease. A nuclear weapon in an American city or a sophisticated biological attack on America would exceed all of those numbers, combined—the potential for killing more Americans with a nuclear weapon or a sophisticated biological weapon than all Americans that have died in war since we have been around.

So when you sit down to think about your priorities I suggest that you look at things that threaten us most, nuclear weapons and biological weapons, and the one piece that we have of our technology that gives us the greatest asymmetric advantage and that is information technology.

Thank you, Mr. Chairman.

[The prepared statement of Randall J. Larsen follows:]

PREPARED STATEMENT OF COL RANDALL J. LARSEN, USAF (RET.), FOUNDER AND CEO, HOMELAND SECURITY ASSOCIATES, LLC

Mr. Chairman and distinguished members, I began my study of homeland security in 1994, and in January 1995 published my first monograph on the subject. Since then I have been actively engaged in the study of securing the American homeland. In 1998, while serving as the Chairman, Department of Military Strategy and Operations at the National War College, I created the nation's first graduate course in homeland security, and in 2000 I founded the ANSER Institute of Homeland Security. After more than a decade of research, writing, teaching and consulting in both the public and private sectors, I must admit that I still have much to learn about this dynamic and complex subject.

Nevertheless, I am pleased to have the opportunity today to offer my analysis and recommendations for homeland security spending priorities. For the past several months, this has been the focus of my research efforts and the main theme of my forth coming book, Our Own Worst Enemy: The Terrorist Threat is Real, but our Responses to 9–11 May Pose a Greater Threat.

Mr. Chairman, and distinguished members, if we, as a nation, do not develop a comprehensive strategy and supporting fiscal priorities for defending our homeland, then our own incompetence will become a greater threat to our security than al Qaeda. If we do not display the wisdom, vision and courage to properly analyze the new security environment; develop a long-range, comprehensive strategy; and provide bi-partisan priorities for the tough budgetary decisions that lay ahead, then I have serious concerns about the security of our nation.

When the cold war ended General Colin Powell predicted it would take a decade before we understood the new international security environment. We all knew it was transforming from bi-polar to multi-polar or perhaps, uni-polar, but our intelligence community, executive and legislative branches of government, and the academic community failed to understand the role that technology would play in shaping the new security era—what we now call homeland security.

Fifty years ago, Osama bin Ladin would have just been another angry guy in the desert with an AK–47. In the 21st century, technology provides bin Ladin, and those who will follow, with the means to threaten a superpower. In the decade preceding 9–11, we failed to recognize this. We must not fail a second time. Or, to borrow a phrase from President Harry Truman, "No learning takes place the second time you are kicked by a mule."

To provide a better perspective for my comments, let us assume for a moment that it has not been three and one half years since the last attack on our homeland. Let us assume that a large-scale attack occurred just a week ago. I ask you, "In light of the most recent attack, what are your spending priorities?" You might respond, "What type of attack just occurred?" And I would say, "That is totally irrelevant."

We, not the enemy, must be in charge of our destiny. The priorities I give you today will remain constant over the next decade, regardless of what is in the next news cycle. This is true because I am giving you strategic advice, not tactical. We have spent far too much time thinking about homeland security from the tactical rather than from the strategic level, and this is not the first time that America's national security leaders have had difficulty with the strategic perspective.

When General Eisenhower returned from World War II, he stated that American military officers were equal to the British officers at the tactical and operational levels. However, when it came to the strategic thinking, the British officers were far superior. Ike said, "Fix it." And that Mr. Chairman is why the National War College was created—to teach our future military leaders to think strategically. It has produced many strategic thinkers, including General Brent Scowcroft and Secretary of State Collin Powell. That is what is sorely missing in the homeland security community today—strategic thinking. So that is where I will begin.

STRATEGY FIRST

I understand you asked me here today to provide my recommendations for spending priorities. I understand that priorities are the bottom-line of this hearing and this committee, but if I immediately go to them, then I would be guilty of committing one of the most common mistakes made in Washington DC: "ready, shoot, aim." I have seen this repeatedly during the past decade. We began spending money on homeland security in 1996. After 9–11, we vastly increased the rate of spending, but it was not until the summer of 2002 that we actually published a national strategy

for securing the homeland. And even then, it was not really a strategy. The principal author of the document agrees it is not a strategy; he said it is a "good plan."

Mr. Chairman, we still do not have a long-range, comprehensive strategy for defending the American homeland. Without one, how can I possibly recommend spending priorities? If we do not know where we are headed, how can I offer a plan to get us there? Therefore, I submit as an attachment to this statement, my statement from a hearing on February 3, 2004 before the House of Representatives, Committee on Government Reform, Subcommittee on National Security, Emerging Threats, and International Relations. (Attached)

In that hearing I was asked to provide an analysis of the Administration's strategy for defending our homeland. I examined eight strategies that had been released by the Administration since 9–11, and found them to be primarily plans focused on subjects ranging from cyber security to money laundering and counter terrorism. None, however, provided a long-range, comprehensive strategy—a strategy that would stand the test of time as did George Kennan's containment. Containment was the strategy that guided eight presidents and twenty congresses and eventually led to victory in the cold war. That is the type of strategy that is needed today.

I will not repeat my entire testimony from last February, but let me say that I did not end my statement with just a critical analysis of the Administration's efforts—I also offered my recommendation for a strategy. Despite the fact that I still do not particularly like the name I gave this strategy, I have yet to find a better one. I called it containment. But containment, Mr. Chairman, in the 21st century is far different than the containment George Kennan spoke of nearly six decades ago.

Excerpt from the February 3, 2004 statement:

It is unrealistic and even naive to believe that we can permanently end terrorism or terrorist threats to our homeland. One of the candidates for President recently stated in a television advertisement that he could prevent attacks on the American homeland—a preposterous idea that he quickly withdrew. Nevertheless, in the case of defending our homeland, we all hate to admit that which is true. We cannot defeat terrorism.

We cannot win the War on Terrorism as we did the war on fascism. Unconditional surrender by the Germans and Japanese ended the threat. That is not possible today. Secretary Ridge has stated there will be no victory parades. He is absolutely correct. Therefore, let us make our strategy reflect this reality. We should seek to control certain factors, or better yet, contain the threat from terrorism.

We must contain the capabilities, global reach, and financial resources of terrorists and terrorist organizations. We must contain the proliferation of weapons of mass destruction, particularly those weapons that most threaten our survival, nuclear and biological. We must contain the spread of hatred with our own offensive campaign in the war of ideas. We must contain the vulnerabilities of our nation. And we must seek to contain our response to the new threats. We must not overreact.

Some will comment that this is a defeatist strategy. I say it is realistic. We cannot stop every determined truck bomber, but we must prevent a mushroom cloud over an American city or a catastrophic biological attack on the nation. We can't kill, capture, or deter every terrorist, but must contain them by limiting their capabilities, their global reach and financial resources.

We cannot prevent the proliferation of all weapons of mass destruction. Chemical agents, including industrial chemicals are far too easy to produce or buy. Radiological material for use in a dirty bomb has already proliferated beyond control. It exists in most hospitals, laboratories, and even at many large construction sites around the world. However, we must contain the proliferation of nuclear weapons and biological weapons. Programs such as Nunn-Lugar are great investments in homeland security.

The Wahabi sect of Islam supports schools, organizations, and special programs, some in our own country. Registered with the IRS as 501 (c) 3 charitable institutions they preach hatred and violence against America and Americans. We cannot end all coordinated information campaigns against the United States, but we must retaliate with our own offensive campaign to contain this contagion of hatred, disinformation, and instigation.

We are a free and open nation. That makes us a target-rich environment for terrorists. We must take prudent and fiscally responsible actions to reduce these vulnerabilities and implement realistic and measurable prevention and incident management programs. The measurement part is critically important. If we do not set standards and goals, how can we measure progress?

One distinguished group of Americans released an often quoted report last year calling for an increase in spending on security within US borders that would ap-

proach $100 billion over 5 years. But we have yet to establish standards and measurable goals for such programs. How did they determine these numbers? How would Congress allocate and prioritize spending? It would be a great for pork. It would send money to every Congressional district. But would it make us more secure?

The press has a field day when a college student smuggled a few box cutters on an airliner, but do we really want a security system that is 100 percent successful? If so, it will take us hours to get through an airport. A system that is 80 percent effective is not an attractive target—even to a suicide bomber. A system that stops four out of five attackers is a strong deterrent, and one we can afford. If it is part of a layered defense, it will provide the security required. A passenger and cargo screening system, backed up by hardened cockpit doors, thousands of armed sky marshals, armed pilots, and passengers who have not forgotten Todd Beamer and his compatriots is the type of security system we need and can afford.

Finally, we must not allow Congress or the Administration to overreact. This will be most difficult during election years. On some days, the hyperbole, hype and hollow promises of some politicians frighten me more than terrorists. Following the President's State of the Union address, a prominent Democratic leader stated that less than 5 percent of cargo entering the US is currently inspected. She demanded that 100 percent of cargo that comes into this country by sea, and 100 percent of the cargo carried on domestic and international flights be inspected. That is a recipe for economic disaster. That is what I mean when I say the US government could do more damage to the American economy than terrorists.

It is important that I maintain my nonpartisan status, so let me go on the record that I have heard equally troubling statements from Republicans, such as spending billions of dollars securing our borders. According to the Department of Homeland Security, there are 7,000 miles of borders and 95,000 miles of shoreline in this country. Understanding that we are in this for the long-haul, how can we ever hope to seal our borders against terrorists? Imagine the costs. It is not economically feasible. We must contain our impulse for overreaction.

SPENDING PRIORITIES

Mr. Chairman, it is from this perspective of containment that I offer my recommendations for spending priorities for Fiscal Year 2006 and beyond. The challenge will be to take these spending priorities and translate them into a national security system that was designed for a different threat and a different time.

To defend America from the Soviet threat, Congress provided funds to the Department of Defense and the intelligence community. For the threats of the 21st century, it will require funding programs in the Departments of Homeland Security, Health and Human Services, Justice, Agriculture, Defense, Treasury, the Environmental Protection Agency, the intelligence community, and state and local governments. One estimate stated that as many as 87,000 government jurisdictions are involved in homeland security—most, or perhaps all of which look to the US Congress for funding. How can you possibly establish priorities within all of these stovepipes?

My recommendation is that you focus your efforts on threats, not organizations. Some would tell you that the range of threats is nearly as diverse as the government organizations involved. That also may be true, but it is critical to understand that there are only two threats capable of bringing this nation to its knees—nuclear and biological weapons. These two threats must receive top priority for spending. Additionally, there is one other area that can provide the American taxpayer with the best return on investment for the broad range of threats we will face in the coming years—information technology. Information systems can provide substantial security benefits for the broad range of threats—from weapons of mass destruction to suicide bombers in shopping malls.

NUCLEAR WEAPONS

Since the United States lost its monopoly on nuclear weapons in 1949, no other weapon has emerged that equals severity of the nuclear threat. One Hiroshima-sized bomb in an American city would forever change the course of our history. A second nuclear weapon in a second city would threaten the foundations of our political, economic, and social structures. A nuclear armed al Qaeda would be an existential threat to the United States of America. This is neither hyperbole nor fear mongering. It is simply a fact.

There are no means to mitigate the effects of a nuclear detonation. Once the Soviets improved the accuracy of their missiles, we learned that even a super-hardened facility such as Cheyenne Mountain was vulnerable. It is physically and economically impossible to harden America against a nuclear attack. Likewise, there is no

effective response after an attack. Therefore, the only effective strategy is to prevent such an attack.

The good news in this case is that there is a relatively simple solution to preventing such an attack: do not let al Qaeda or another terrorist organization get their hands on weapons grade material. I am confident that no terrorist organization today, or at any time in the next decade will have the capability to enrich uranium to weapons grade levels or produce plutonium. The problem however, is that it only requires 35 pounds of highly-enriched uranium (HEU) or 9 pounds of plutonium to produce a bomb. In other words, a large briefcase could contain enough material to build a nuclear weapon.

Where would you find such material? It is not as difficult as you may think. There is enough HEU sitting in research reactors to build hundreds of Hiroshima-sized bombs. There are more than 100 such reactors, in 40 countries, that use HEU as their fuel. The fuel in these research reactors is generally not highly radioactive. Unlike the fuel rods in a nuclear power plant, these fuel elements would not require massive shielding to transport. Several research reactor fuel elements could be safely carried in an ordinary suitcase. A 1977 unclassified report from the Argonne National Laboratory stated that the processing required to convert these fuel elements into weapons grade material could be accomplished with commercial off-the-shelf equipment. Details on the chemical processes required is also available in open literature.

(For more details on this issue see: Securing the Bomb: An Agenda for Action, Matthew Bubb and Anthony Wier, w*ww.nti.org/cnwm*)

In addition to the material in research reactors, there are hundreds of tons of weapons grade material inadequately protected in the former Soviet Union. Considerable money has been appropriated and some success has been achieved, but securing 99 percent of this material means that sufficient material would be available to terrorists to build scores of nuclear weapons. Additionally, we now have even more weapons-grade material to worry about, thanks to Dr. Khan in Pakistan.

DOMESTIC NUCLEAR DETECTION OFFICE

The newly created Domestic Nuclear Detection Office is certainly a worthwhile tactical effort, but not the strategic program we require. The two greatest shortfalls are clearly identified in the title of the new office: domestic and detection. While most details on the roles and responsibilities of this office have yet to be determined, the word domestic leads me to believe its focus will be inside US borders. Most of the nuclear material that we must contain is outside US borders. Additionally, detecting nuclear material inside our borders is the last step in a long process, and what I would describe as a desperate effort with low probability of success.

America's goal must be to contain the proliferation of nuclear material and to prevent it from ever reaching our shores. That is where we should focus our spending. Nunn-Lugar type programs will provide America with the best return on investment for securing our homeland. Without question, America's number one spending priority for FY 06 and beyond should be exactly what both Presidential candidates said at the end of their first televised debate on September 30, 2004—preventing the terrorists from getting their hands on weapons-grade nuclear materials.

BIOLOGICAL WEAPONS

Protecting America against nuclear terrorism is a daunting challenge, but the action required is not complicated—we only need to prevent the terrorists from obtaining weapons-grade nuclear material. Unfortunately, protecting America against bioterrorism is far more complex and a far greater challenge. Equally troubling is the fact that the revolution in biotechnology means that the likelihood of a sophisticated biological attack during the next decade is far greater than a nuclear attack.

Going back to the strategy of containment, we must understand that it is impossible to prevent bioattacks. This was demonstrated a few years ago with a government program called Bacchus. A small team of scientists with no experience in the production of bioweapons or access to classified information on the process demonstrated how easy it is to make them using open sources and equipment bought over the Internet. They showed that the funding required to weaponize pathogens is less than the price of a luxury car. The seed stock for bioweapons—such as bacillus anthracis (anthrax), yersinia pestis (plague), and viral hemorrhagic fevers (Ebola and Marburg)—exist in laboratories around the globe. With the exception of variola virus (smallpox), all of the 40 pathogens tested in various bioweapons programs exist in nature.

The biological weapons genie is out the bottle. There is no legislation you can enact to prevent terrorist from obtaining and weaponizing these pathogens. It is

only a matter of time until a significant bioterrorism event occurs. Therefore, the second priority for spending homeland security funds must be for the mitigation and response to a bioattack.

I have spent more than a decade studying the bioterror threat, and I must admit it is at times mind-boggling. I am fortunate to have worked with many of America's top experts in the field of biodefense. For specific details on the programs I recommend, I refer you to these experts. My comments are from the perspective of a national security strategist. From this perspective, I can tell you that a national public health system in the 21st century will be as important to national security as the Department of Defense was in the 20th century. And when I say public health, I also include the issue of food and water security. In fact, a bioattack on our food supply is one of the most likely scenarios.

Preparing America for the 21st century biothreat is far more complex than moving dollars around on a line-item budget. We must think strategically. The "all-hazards" approach that is endorsed by the Department of Homeland Security is a sound policy for most threats—man-made and natural. It does not, however, work for an attack with a contagious pathogen.

ORGANIZATION

If one believes that a bioattack is likely at some point in the future, one must be appalled with how America is currently organized to defend itself. I often use the following analogy to describe this egregious situation.

"Many people have submitted plans to transform the Department of Defense for the 21st century. Here is my plan. Instead of having it centrally organized, I suggest that we do away with the Pentagon and give each county, one tank, one fighter plane, and one infantry platoon. Each state will be provided with a few Navy ships. There will be no standards for credentialing the officers or NCOs. Some will be political appointees. Funding will come from various sources, and money that is sent from Washington can be easily moved to other programs outside of defense."

Sound like a good idea? Well, that is a reasonable description of our current public health system in this country. In fact, it is not a system at all. In some states, like Maryland, the county public health offices all are under the centralized control of the state public health officer. In other states, such as New Jersey and Massachusetts, city and county public health offices are decentralized—marching to their own drummers. In South Carolina, there is no state official whose primary responsibility is public health. There are no nationally recognized standards for credentialing of state and local public health officers, and the funding of these offices comes from a hodgepodge of uncoordinated sources. Furthermore, it has not been uncommon for Federal bioterrorism funds to be to diverted to programs that have no connection to bioresponse efforts.

The bottom line is that America does not have a coordinated public health system. I cannot in good faith recommend that you increase funding to state and local public health offices for biodefense until there is a national plan and a national system. Continuing to pour money into a non-functioning system will not improve our security.

For more details on the state of our public health community see, Drafted to Fight Terror: U.S. Public Health on the Front Lines of Biological Defense by Dr. Elin A. Gursky, 2004. (*http://www.homelandsecurity.org/bulletin/drafted—gursky.pdf*)

I am not criticizing the half million people who work in state and local public health offices. Most are highly dedicated, overworked, and underappreciated. The problem is organization. As General Eisenhower said, "The right organization will not guarantee success but the wrong organization will guarantee failure." Today, we are not properly organized to defend this nation against a biological attack. There is no biodefense leader or organization in America. That should keep you awake at night.

Prior to the 1960s, environmental issues were primarily seen as state and local responsibilities. We have since learned that the only effective way to approach the issue is with a national strategy. The same is now true for biodefense. As was demonstrated in the Dark Winter exercise in June 2001, and most recently in the Atlantic Storm exercise in January 2005, contagious pathogens do not recognized borders—neither state nor national. (see: *http://www.upmc-biosecurity.org/*)

America requires a national system for biodefense. Someone must be in charge. This recommendation may not be well received from some state and local public health officers. They do not want Washington telling them what to do. I do not blame them; I understand their concerns. Much of what state and local public health offices do on a daily basis is unique to their locations. But during a crisis, we must have a national response capability.

Building such a national system will require the long-term commitment of significant funds, although it would likely be just a fraction of what is spent each year on National Missile Defense. I have never understood why we are spending more on defense against a delivery system than we do on defense against the actual weapons. A nuclear or biological weapon can be delivered in a variety of ways, and in my opinion, a missile is the least likely. If a nuclear or biological weapon were to be used against Washington DC, the most likely delivery system will be a small truck, a car, a briefcase, or the US Postal Service, as we witnessed in October 2001—not an intercontinental ballistic missile that would provide us with a return address.

Furthermore, some of the changes needed will not require enormous amounts of taxpayers' money. As one example, the State of Texas has more than 40,000 nurses who no longer work in health care. Creating a reserve corps of health care workers would required only a few weekends a year for training, but could deliver enormous surge capability during a crisis. It would provide the American taxpayer with a significant return on investment. The reserve component of the Department of Defense played a major role in winning the cold war and it continues to play an important role today. Why not a homeland security reserve corps? Not every solution requires a billion dollar price tag.

SITUATIONAL AWARENESS

One of my greatest frustrations is the lack of progress in developing and fielding a system to provide situational awareness during a bio crisis, either man-made or naturally occurring. While the technology exists to create such a system, one has not been deployed. America needs a system that would provide public health offices, medical staffs, and local, state and Federal officials with near real-time information on the spread of the disease and the resources available to respond. This one system would be a major step forward in our mitigation efforts. Without such a system, there is little or no hope of an adequate response.

RESEARCH AND DEVELOPMENT

When I mentioned bioweapons such as smallpox, anthrax, and plague, you need to understand that these are yesterday's weapons. The bioweapons that keep me awake at night are the pathogens we will face in the future. Unfortunately, this future could be 2005. A genetically engineered pathogen that is contagious, lethal and resistant to our vaccines and treatments would be an existential threat to America. It is a very real possibility, and it is why I say spending priorities must focus on the biological threat.

I am not an expert in the field of research and development programs for biodefense. However, I am a national security strategist, and I know that funding research and development for new vaccines and treatments is as important as funding new weapons systems for Department of Defense. Our technological prowess is our asymmetric advantage over the terrorists. It is an advantage we must exploit. For details, I recommend you seek advice from the University of Pittsburgh's Center for Biosecurity, headed by Dr. Tara O'Toole. The Center can provide you and your staff with detailed information on key biodefense research and development programs.

AGRO-TERRORISM

Just prior to leaving office, the Secretary of Health and Human Services, Tommy Thompson said he was surprised that the terrorists had not yet attacked our food supply. I understand his concern. A biological attack on America's food supply is in many respects easier to conduct than a bioattack on people, as demonstrated in the Crimson Sky and Crimson Winter exercises. Just ask Senator Pat Roberts (R–KS). He played the role of the President in Crimson Sky, and had to order the killing of 50 million cloven hoofed animals to get the foot and mouth disease (FMD) epidemic under control.

Mr. Chairman, your state, Iowa, is the prime target for agro-terror, one of the most likely biothreats. The animal most susceptible to FMD is the hog. FMD will spread through a feedlot like a prairie fire through dry grassland. Iowa has 5.3 hogs for every human being—the most dense concentration of hogs in the US. FMD will not harm humans, but it would be an economic and environmental disaster for not only your state, but the entire nation. Just think, what would you do with 50 million carcasses?

Additional funding for laboratory facilities, an information network to link these labs and more training exercises are the best means to improve mitigation and response capabilities for agro-terrorism.

GOALS AND DUAL-BENEFITS

The short-term goal for biodefense should be on information technology that will provide improvements in mitigation and response capabilities, primarily, in the area of situational awareness. The mid-term goal (FY 08–11) should be the creation of a national system that can detect, respond to, and mitigate catastrophic health crises, either man-made or naturally occurring. The long-term goal should be focused on research and development programs that will best use our technological advantage to create revolutionary capabilities such as "bug to drug in 24 hours" (as recommended by the 2002 Defense Science Board study) and something called preclinical detection.

Preclinical detection can move the advantage from the attacker to the defender in both man-made and naturally occurring diseases. For instance, if everyone in this room were exposed to variola virus today during this hearing, we would not begin to show symptoms for at least 7 days—some people would take as long as seventeen days to become ill. In other words, we would all be "walking time-bombs". Each of us would unknowingly be carrying a contagious and lethal disease. No currently available test could detect this disease in our bodies. Only when we became symptomatic, and began to experience high fever and rash, would today's laboratory tests diagnose smallpox. For us, it would be too late. There is no treatment available once the rash begins. Thirty percent of us would die, some would become blind, all would suffer extraordinary pain and carry the scars of smallpox pustules for life.

With preclinical detection, the variola virus could be detected soon after it entered our bodies. The smallpox vaccine is effective if given within 4 days of exposure. Likewise, early antibiotic treatment against anthrax and plague would make the difference between a bio-incident and a bio-catastrophe. Preclinical detection would not end the biothreat, but it would significantly contain the consequences. It could, over time, reduce the effects of such attacks to a degree that it would serve as a deterrent.

The ability to detect disease before the onset of symptoms should be one of your top funding priorities. This capability would also provide an incredible dual-benefit to the health of all Americans. For any disease, man-made or naturally occurring, early detection is critically important.

One great advantage of spending on biodefense is this dual-benefit. When you buy a new nuclear powered aircraft carrier for national security, you get a powerful weapons system to defend America against its enemies, but in the end, it is just a weapons system. If you properly fund a biodefense system you will reduce the vulnerability of America to a bioattack or a naturally occurring epidemic, and at the same time, significantly improve health care and food security—an extraordinary return on investment for the American taxpayer.

The US Congress has the power to reduce America's vulnerability to a bioattack. I hope and pray you do so before we experience a large attack, not after.

INFORMATION

Information is an area in which we have the asymmetric advantage over the terrorists. We must use it wisely, and in a manner consistent with the value we place on privacy and civil liberties. We must understand that information is the weapon that terrorists fear most. Much work has been accomplished by think tanks and other not-for-profits on how we can use information technology without sacrificing our privacy. The Potomac Institute's work on the Project Guardian is one to be commended. They have designed a system that allows our incredible technology to outwit the enemy while at the same time involving all three branches of government to provide the oversight necessary to protect our privacy. (http://www.potomacinstitute.org/research/projectguardian/pgintro.htm)

GUARDING OUR PORTS WITH INFORMATION SYSTEMS

To best protect our ports, priority should be placed on information systems, not on more gates, guns, guards, and gamma detectors. In the Democratic response to the President's 2004 State of the Union message, there was a call to "inspect all of the containers that enter this country." It takes 4 hours to inspect a container, and even then there is a possibility weapons of mass destruction could go undetected. Moreover, it is too late once a nuclear weapon arrives at a US port. Ports themselves are primary terrorist targets. A nuclear detonation in one of our mega ports would have unimaginable economic and political consequences. Obviously, then, hands-on inspection of each of the six million containers that enter the country yearly is neither possible nor desired.

So what would be fiscally responsible and increase security? Inspect containers with information tools before they enter our ports. Today's information systems must be harnessed to track container contents all the way back to purchase orders. It can be accomplished in a manner that neither slows the pace of commerce nor burdens our transportation system with unreasonable costs. Such inspection systems and methodology would provide both deterrence and prevention.

So when you are faced with spending priorities on cargo security, focus on systems that reach beyond our borders, not within them. Focusing your spending programs on systems within the boundaries of our ports, would be the equivalent of putting radiation detectors outside of this building. When the nuke gets that close, it is too late.

Shortly after 9–11 many began talking of "pushing out our borders." This, however, is not best accomplished with a manpower intensive effort, but with an electronic border in cyber space. During the cold war we called this competitive strategies. We must do the same today—funding those initiatives where we can best exploit our strengths against their weaknesses.

NATIONAL LEVEL INFORMATION SHARING

The sharing of information is another area that requires attention and funding support. The technologies exist today that would allow local, state and Federal law enforcement organizations, plus intelligence agencies, pass information to a common data hub for national level compilation and analysis. The hub will be the National Counter Terrorism Center, which also needs the capability to provide processed intelligence and information to local, state and Federal law enforcement agencies. Obviously, an oversight function is an essential element in a data-sharing system. (See Project Guardian at the Potomac Institute for the details on the oversight function.) Information technologies exist today that would have caught at least 11 of the 19 hijackers before they boarded their airplanes on 9–11.The deployment of such a system should be one of your highest priorities.

INTELLIGENCE

Intelligence is a subset of information. Homeland security intelligence analysis requires the recruitment, training and employment of individuals with expertise in the high priority threat areas, such as nuclear and biological. The focus in the Department of Homeland Security information analysis office (as well as other intelligence agencies) has been current intelligence (the news cycle): what is hot today; what threat needs to be briefed to the Secretary; and what information is coming in from the Joint Terrorism Task Forces. The Department of Homeland Security objective has been to hire top-notch, recent graduates from America's universities who can function successfully in that current intelligence environment. We need those new analysts for the current intelligence mission, but to deal with the nuclear and biological threats we need intelligence analysts who understand the science as well as the political/international context.

Analysis is supposed to drive collection, not the other way around (a major contributor to our intelligence failures.) We need to build expertise on nuclear and biological threats in the information analysis office. This office should focus on the strategic threat, provide collection requirements to HUMINT, SIGINT and other collectors, and provide threat analysis to the Department of Homeland Security and other national security policymakers.

THE IDENTITY QUESTION

There is one last area of information technology I must mention, one that is quite controversial: personal identification. Fifteen European nations already have a form of nationally standardized identification. The United Kingdom, after much debate, has recently decided to begin such a program.

Some would say that we already have one in the United States, our state-issued driver's license. We all use it every time we transit an airport. The only problem is, it does not provide us an effective anti-terrorism system. We have all heard the stories about the 9–11 hijackers—that seven had Virginia driver's licenses, and none lived in Virginia. There are some states with laws that authorize the issuance of driver's licenses to people who are known to be illegal aliens. We all know that any reasonably intelligent college student understands how to use the Internet to get a photo ID card that "proves" he or she is 21.

We are in the process of spending billions of dollars on the US–Visit program that was designed to deter or capture terrorists entering our country. If and when the system becomes highly effective, the terrorists will stop using our ports of entry and begin crossing our 7,000 miles of unguarded borders and 95,000 miles of shoreline.

Remember, they are a thinking enemy. When we close and lock one door, they will move to another. We can spend ourselves into bankruptcy by staying just one step behind them.

Today, many Americans are not ready for a national identity system. I am one of them. However, if we experience several major attacks, larger and more deadly than 9–11, the American people may change their attitudes on this subject. A poll taken shortly after 9–11 stated that 70 percent of Americans favored a national identity system

I recommend that you give high priority to the study of this issue through the think-tank you created—the Homeland Security Institute. You should direct the Institute to lead the effort and examine four key issues:

1. Does an organization and system exist that can ensure identification credentials are properly issued?
2. Does the technology exist to create a means of identification that cannot be altered or counterfeited?
3. Can we build a system that is affordable?
4. Does the American public feel secure that such a system would protect their privacy?

Today, the answers are: no, yes, yes, no. The purpose of the study would be to determine if it is technologically and politically feasible to get four "yeses". Then, and only then, would I support such a system.

Perhaps, we should include a fifth question: Would such a system make us more secure? I believe the answer is yes. There is no way to effectively control 7,000 miles of borders and 95,000 miles of shoreline. If we spend billions making it virtually impossible for known terrorists to enter the United States through our sea, air and land ports, they will begin crossing our borders in the same way the economic refuges and migrant workers from Mexico and Central America have done for decades. And even though some Members of Congress want to build impregnable borders with physical and electronic barriers, you must understand such an initiative would be no more effective protecting our homeland today than the Maginot Line was at protecting France in 1940. It would waste valuable resources and leave us no more secure.

One thing I know for sure—when I get on an airplane with my family, I would like to know that the person setting next to my daughter is not on a terrorist watch list. The system we have today does not provide me that security. After the next major attack, the question of identity will come up again. And when it does, it would be nice to think that our elected leaders had shown the strategic vision to look into the future, and to have some answers ready when the American public asks the question, "Why don't we have a nationally standardized identity system?"

CONCLUSION

America can survive a car bomb or two. America can survive an attack on a train, a shopping mall, chemical plant, or even another attack with an airplane. On the other hand, attacks with nuclear and biological weapons have the potential to radically change our political, social and economic foundations. They are in a class by themselves and must receive your top priority.

Unfortunately, America is not well organized for this challenge, particularly, the biological threat. Who is in charge of protecting America from biological attacks? There is no single person or single agency. The Departments of Homeland Security, Agriculture, Health and Human Services, Defense, the Environmental Protection Agency, the intelligence community, 50 states, 8 territories, and more than 3,000 counties are involved in the effort. We are spending billions without a national organization or effective plan. Not a recipe for success.

I know you have many pressures to provide homeland security funds for a wide variety of threats. I understand that every fire department, police department, sheriffs department, emergency management agency, and hospital in each of your home districts wants priority for homeland security funding. The demand is unlimited, but we must keep the other threats in perspective. Since 2001, no Americans have died in our homeland from terrorism. During the past 3 years: 15,000 have died from food poisoning, 120,000 have died from automobile accidents, nearly 300,000 have died from medical mistakes, 1,500,000 have died from cancer, and more than 2,000,000 have died from heart disease.

A nuclear weapon in an American city or an attack with a sophisticated biological weapon could exceed all of these numbers, combined. Either one of these attacks could easily exceed the number of Americans killed in all wars during the past 230 years.

Therefore, your priorities for homeland security funds must focus on preventing terrorists from obtaining weapons-grade nuclear material, building a national system to improve mitigation and response for bioattacks, and exploiting our asymmetric advantage in information systems. These are the priorities that will provide the American taxpayer with the best return on investment—a homeland that is secure from catastrophic attack and a nation that is making best use of its asymmetric advantage over the terrorists.

Chairman NUSSLE. Colonel, thank you. Next on our witness list is Dr. Michael O'Hanlon, a senior fellow from the Brookings Institution. Welcome, and we are pleased to receive your testimony.

STATEMENT OF MICHAEL O'HANLON, SENIOR FELLOW, BROOKINGS INSTITUTE

Mr. O'HANLON. Thank you, Mr. Chairman, Mr. Spratt, everyone else. It is a pleasure to be here and a privilege to be on this panel. I want to offer a slightly different perspective on a couple of points, but wind up agreeing with the thrust of what I think all of us have been saying, that while we do need to be selective about how we spend more money on homeland security and national security, we are not going to be able to cut this area of the budget. It is going to have to continue to be an area of growth.

So I am going to wind up agreeing, but also in the spirit of both of your opening remarks I want to talk about the need for economies, the need for a selective eye to some of the programs that we now have still in the budget, because I think, especially at a time when the budgets are going to keep growing so much, it is incumbent on all of us who work in the field to try to find programs that are less priority, somewhat less important, at least have a debate about some of them before we quickly rubber stamp budgets that may need some more scrutiny.

So I will give a somewhat different perspective on a couple of DOD programs than Frank, recognizing that he has advanced important arguments as well. But I just want to introduce the spirit of scrutiny on some of these programs.

I do think we have to consider a way, especially within DOD's budget, to find a little bit of potential for savings to allow in fact for some needs that have not yet been addressed, specifically the need for more Army and Marine troops, to be pursued and for these additions to be made to our forces, even as we try to keep the top line under some control.

Let me make a couple of points in regard to modernization accounts. I am going to give a couple of thoughts on where I believe we could actually save more money than the administration itself has proposed, leaving aside the F–22 debate, where I actually think the administration's proposal is smart, because it provides enough air power and air superiority fighters for a possible China threat.

But it doesn't envision the need for that airplane against the possible North Korea or Syria or similar lower technology threat. I think that thinking is just about right. We used to size the F–22 force to the two-war concept, the two-war framework. I don't think we need enough F–22s to fight two wars at once. We need F–22s for a possible war in China, in particular because China is the only potential enemy that has the possibility of large-scale modernization of its air force in the coming 10 to 20 years. So I agree with the administration's approach there.

But let me now turn to a couple of areas that have not been addressed in the administration's budget, where I think there is a potential for savings. But I am going to come back to the point that again if you do all of these things you will still need to preserve the administration's overall top line projections in order to fund the increase needed in ground troops that I think we face in a compelling way, as well as some of the needs that Randy Larsen has just mentioned in homeland security. Even if you are very selective about which programs to enhance and create, there still are a number that need more funds.

We probably have to increase homeland security funding in the order of $5 billion a year, in my judgment and that of the Brookings study that I will be making reference to that was done a couple of years ago.

But going to these DOD programs, let me take the V–22, V–22 tilt rotor aircraft, the Osprey. It is a fascinating technology, it does have promise. It would be much faster, much longer range than even the most modern helicopters that we have in the fleet today. The Marine Corps clearly has fought very hard for this airplane for 15 years, even after Mr. Cheney tried to cancel it when he was Secretary of Defense. The Congress and the Clinton administration and the Marine Corps brought it back.

I think Cheney was right. I would have liked to see it canceled at that time. But given where we are today, we spent 15 years developing this technology, it is important to pursue it. Let us buy enough to see how well it works for special purposes where the speed and range are the most critical. Be it long-range commando operations, long-range search and rescue, let us use it as a prototype. Let us buy 100, but let us also acknowledge that a lot of studies that have been done about V–22 do not suggest it would be all that much better in large-scale amphibious assault than modern helicopters, which could be bought more quickly, give our Marines more dependable technology in the near term instead of hoping we can make the V–22 work.

So that is the sort of philosophy I believe one could adopt. I don't want to get into a lot of detail on a program-by-program basis, but if you look at each of these major weapons systems that we still have in our account, there often is an argument for a somewhat more selective or more limited approach to buying a modest number or delaying the technology or viewing it as a prototype technology that may someday be more useful but right now is in an early stage of development .

The Joint Strike Fighter program. We are going to provide 2,500 manned airplanes in an era when unmanned airplanes are becoming more and more effective and when our current generation airplanes are not seriously at risk from most of the enemies that we are facing on the battlefield today.

Again, I agree with Frank's point. We have to worry with possible future foes. Some of them could be much higher in technology, China in particular. We don't want to close our eyes and pretend that F–16s will suffice forever. Of course the F–16s are getting old. We will have to do something with them, F–16s, Harriers, other kinds of aircraft in the existing stock. So we do need an airplane replacement strategy. But we don't necessarily need 2,500 manned

airplanes bought over the next 20 years, by far the most expensive program in the history of the Pentagon, at a time when again we have so much promise from other kinds of future technology and so much capability still existing inside of our current aircraft fleets that have been modernized by better munitions, better electronics, better sensors, and so forth.

So I think you can go to a strategy where you refurbish or you rebuild or you buy additional quantities of airplanes like F–16s and you buy a limited number of Joint Strike Fighters. Perhaps you buy 1,000 Joint Strike Fighters, you get the Navy out of this program. They already have a pretty good airplane they are purchasing, the Super Hornet. I don't think they need also to be in the JSF.

I think maybe the Air Force will try to use and refurbish existing F–16s for a longer period of time, look to the day when it can have unmanned combat airplanes doing more of the air-to-ground attack role, and don't put all of the money into a JSF program that is really just too big for this moment in our technological history. I think it is an imprudently large and expensive program.

The Army's future combat system. Again, there are a lot of good ideas in this program. You do want to try to digitize your Army divisions. You do want to try to link them through electronics. You do want to try to take advantage of better propulsion technology, better armor. But the Army is still hoping to do one thing that I believe is just simply technologically infeasible for the next 10 to 15 to 20 years, which is to replace a 70-ton tank with something just as survivable weighing only 20 tons. It is just not in the cards at the moment. If you go out to the research labs, you talk to the people who know the technology, we are not going to be able to do this. The Army's plan is unrealistic. I think the Army's plan should be streamlined, focused more on sensors, more on networks, and be a little more patient about buying that next generation main combat vehicle.

It doesn't mean we can zero out the program. We should still we doing basic research on a lot of the relevant technology, but I don't think this technology is right for spending nearly $5 billion a year, which is where we are headed in the very near term if we keep on our current trajectory.

On nuclear weapons issues, I have a somewhat difference perspective than Frank. I really don't think we need new capability, we don't need new testing, and we don't need a larger arsenal. In fact, we don't even need the size that we are now planning to keep under the Moscow treaty. But I will admit—and I will start now to make my transition to my final concluding, overarching comment—even if you make my recommended change in the Department of Energy, nuclear capability, maybe you save half a billion dollars a year. Even if you make the recommended change that I am talking about in the Joint Strike Fighter program, since you still have to refurbish or replace your F–16 fleet, your Harrier fleet, your F–14 fleet and so forth, maybe you save $3 billion, $4 billion a year. Even if you go to a smaller F–22 program the way the administration has proposed, you maybe save $2 billion a year. The future combat system, instead of being a $3 billion, $4 billion, $5

billion a year program, will probably have to be a 1, 2 or 3 billion program. But even so, you are spending a lot of money.

You add up all of these cuts, which I admit are easier to make in a Brookings book than in the halls of Congress or in the Pentagon, you still wind up maybe saving $10 billion a year in the modernization account to make a larger Army, which right now, in my judgment, is simply unconscionably small for the missions we have asked our brave soldiers and Marines to carry out. It is just not conscionable, to my mind, to send back the same people who won the war 2 years ago in the invasion phase, to send them back already and to have a policy that would require us to keep doing that same thing as long as the mission endures.

I just think we have dropped the ball on this. I think Mr. Rumsfeld's arguments, with all due respect to many of his other good decisions, on this point are simply wrong. We have too small of an Army for the missions we are potentially going to be undertaking in the next few years, especially Iraq. I am actually a proponent of developing a modified gradual exit strategy for Iraq. But even if you do that, you have to recognize it is going to take time, you are not go to go down to zero in the foreseeable future and events could change on the ground.

So even if you think we may be able to start talking about an exit strategy in the next year, and getting out in a large fraction within the next couple of years, I still think you need this debate about a larger Army and a larger Marine Corps. We are simply sending people to do too much too often. It is one thing to ask a Marine or a soldier to risk their life for their country, but to ask them to be a stranger to their own country and to their own families, to be here for a year and then to go back oversees and sustain that pace of deployment as far out as the eye can see, I think is a mistake.

Likewise, I agree with a lot of the points my fellow panelists made about the homeland security agenda and where we have unmet needs and existing and enduring vulnerabilities. You have to be very selective about which homeland security vulnerabilities you address. Not all of them can be addressed in an economical way.

We should worry most about catastrophic threats. I fully agree with Randy. But even if you take that more discriminating and selective approach to dealing with our international vulnerabilities, you still need to add at least $5 billion a year, above and beyond where the administration has so far budgeted. You also are going to need to use some incentives on industries like the chemical industry to protect themselves better than they have so far. It may not require big government expense, but it does require some level of government involvement and maybe some tax incentives or other kinds of things like that.

Bottom line, the national security budget is not too big. It is going to have to keep getting bigger, at least on the trajectory we are currently on. The homeland security budget may need to get bigger than the administration itself has projected.

In the broad scheme of national security, I also think we need a serious way to deal with the long-term threat of the next generation of al Qaeda, which means, for example, there is a strong case

to have an educational reform initiative inside of the foreign assistance account that would offer up funds for countries like Pakistan that might want to reform their educational system to try to reduce the influence of these madrasas and so we don't see a second generation of al Qaeda recruited and created at the same time we are trying to deal with the first generation.

I put all these things together just to underscore that even if you are a bit of a budget hawk on the defense modernization accounts, even if you look hard for savings inside the DOD budget, when you take a broad view of your overall national security requirements, it is very hard to see how we can make do with less.

I think that is an important point that we need to—I think we have all made in one way or another, and that I would subscribe to myself.

Thank you, Mr. Chairman.

[The prepared statement of Michael O'Hanlon follows:]

PREPARED STATEMENT OF MICHAEL O'HANLON, THE BROOKINGS INSTITUTION[1]

What military will the United States need in the future, and how much will it cost? In an era of apocalyptic terror and other threats, there is little doubt that the country must do what it takes to protect itself. That said, at a time of $400 billion Federal budget deficits, the country must also ask how to spend defense dollars wisely and efficiently.

The Bush administration's planned defense budget increases of some $20 billion a year into the future are indeed necessary. Half of those increases account for inflation, roughly speaking, and the other half represent real growth in the defense budget. In particular, the administration should increase the size of its ground forces by a total of roughly 40,000 additional active-duty troops for the foreseeable future. This is necessary in order to treat soldiers and Marines fairly and to ensure that the extraordinarily high pace of overseas operations does not drive people out of the military, thereby putting the health of the all-volunteer armed forces at risk.[2]

Given fiscal pressures, at the same time that it carries out this temporary increase in personnel, the military must look harder than ever for economies and efficiencies in other parts of the budget. That is most notably the case with weapons modernization accounts. Thankfully, the promise of modern high technology, and especially electronics and computers, can allow the United States to continue to innovate and improve its armed forces somewhat more economically than in the past. Once the Iraq mission ends or declines significantly in scope, the ground forces can be scaled back to their present size—or perhaps even slightly less—and it may become possible to hold real defense spending steady for a number of years. But not yet.

THE STRATEGIC BACKDROP

For the foreseeable future, U.S. armed forces will likely remain engaged in Iraq and Afghanistan. They will also need to remain involved in deterrence missions in the Western Pacific, most notably in regard to Korea and the Taiwan Strait. The United States will wish to remain strongly engaged in European security as well, less because of threats to that region than because it is the continent where most of America's main security partners are located. The strength, capabilities, and cohesion of the NATO alliance therefore have important implications for the United States globally.

But the United States does not know which if any major new wars it may have to wage in the coming years. It does not know if relations with the People's Republic of China will continue to improve or again worsen, even risking the possibility of war over Taiwan. It does not know if the current nuclear crisis with North Korea will be resolved peacefully. It cannot predict whether any other countries will allow their territories to be used by terrorist organizations bent on attacking the United States. It must contend with the remarkable degree of animosity toward the United States among most Muslim countries, particularly in the Arab world, which has worsened considerably in recent years (though it predated President Bush's administration). Additional military scenarios could be of immense importance to America as well. A nuclear-armed Pakistan could wind up in either civil conflict or war against nuclear-armed India. Iran could threaten Persian Gulf shipping or threaten

Israel with the nuclear arsenal it seems bent on pursuing. Saudi Arabia's stability could be called into question.

Given this uncertainty, defense planning must be based on assumptions. The important thing is to postulate circumstances that are realistic but not imprudently optimistic. Taking this approach, even though the world and the future will remain uncertain, the range of plausible national security challenges and military responses can be bounded somewhat.

It is easy for defense planners to dwell on problems. But there is a great deal that is good in today's global security environment as well. The United States leads a remarkable and historic alliance system. Never before has a great power elicited such support from the world's other powers and provoked so little direct opposition. This conclusion is in some jeopardy after the Bush administration's internationally unpopular decision to go to war against Saddam Hussein in 2003, but on balance remains correct.

Even powers outside the western alliance system-Russia, China, India, Indonesia-generally choose to cooperate with the United States and its allies on many security issues. They are likely to continue doing so, provided that American military power remains credible, and that the U.S.-led alliance system continues to be founded (however imperfectly) on common values on which most countries agree. This conclusion can be jeopardized-by a United States that seems too unilateralist and too inclined to use force on multiple occasions, or by allies that seem to prefer free riding to doing their fair share in international security. But what is most impressive about the western alliance system is how strong and durable it has become. And what is most reassuring about the challenge faced by the American defense planner is how little worry, with the important exception of possible conflict against China in the Taiwan Strait, need be given to possible wars against any other major powers.

Some fear American military strength, and even many Americans think U.S. military spending at least to be excessive. But as Barry Posen convincingly argues, the United States is far from omnipotent. Past historical eras such as those during which the European colonial powers could easily conquer distant lands are gone.[3] In today's world, the United States can be understood in Posen's phrase to possess impressive command of the commons-air, oceans, and space-but to have a great deal of trouble contending with many conflicts on land, particularly against irregular resistance fighters.[4] The Iraq experience has reinforced this reality for those who may have begun to think of the Vietnam (and Lebanon and Somalia) experiences as aberrations or as ancient history. Moreover, America's high sensitivity to casualties limits its inclination to use military force. And its highly open and democratic political system suggests that it need not be feared to the extent many do.[5] Even on Iraq policy, while the legality of the invasion was admittedly shaky, the Bush administration acted only when it could point to more than a dozen U.N. Security Council resolutions that Iraq had violated. So American power is, even in these politically contentious times, generally a force for good in the world.

Maintaining global military capabilities, holding together this alliance network, and preserving stability in the global system offer great benefits to the United States and the world, but they also cost money. The United States presently accounts for almost half of all global military spending-to be specific, 41 percent in 2003 by the estimates of the Stockholm International Peace Research Institute. (Any specific estimate, however, is imprecise given uncertainty over true military spending by China and several other countries.)[6] But arguments for or against the current level of American military spending cannot be based on such a figure; they must more specifically consider the missions asked of the American armed forces.

U.S. MILITARY BASICS

U.S. troops and most types of military force structure have declined about one-third since the later cold war years. They now number 1.4 million active duty troops, plus about one million reservists, of whom some 150,000 to 200,000 have been activated at any time in recent years (see attached table).[7] That active-duty force is not particularly big—just over half the size of China's military, and not much larger than the armed forces of India or Russia or North Korea. But the United States has a larger military presence outside its borders than does any other country-some 400,000 troops as of early-mid 2004. It is also far more capable of projecting additional force beyond its own territory than any other country. And on a per person basis, the quality of its armed forces are rivaled by few and equaled by none.

Republicans and Democrats generally agree about the broad contours of American military planning and sizing. Secretary Donald Rumsfeld's 2001 Quadrennial De-

fense Review reaffirmed the active-duty troop levels of about 1.4 million maintained during the Clinton administration and also retained most of the Clinton agenda for weapons modernization while adding new initiatives in areas such as missile defense, advanced satellites, and unmanned vehicles. After September 11, 2001, the Bush administration sought and received a great deal more budget authority than President Clinton's defense plan called for. But a Democratic president would almost certainly also have boosted defense spending after the tragic attacks, since the existing Pentagon plan was underfunded. Moreover, no major Democratic candidate for president in 2004 made a major issue out of the size of the U.S. defense budget.

That the Bush administration retained most Clinton era ideas and programs is relatively unsurprising. Although decisions to buy specific weapons can be debated, the military needs many new or refurbished planes, ships, and ground vehicles since much of the weaponry bought largely during the Reagan buildup is wearing out. America's technological edge in combat may not require every weapon now in development or production, but the advantages to maintaining a resounding superiority in weaponry are evidenced in the rapid victories and relatively low casualties (on all sides, America's and its enemies') in Bosnia, Kosovo, Afghanistan, and Iraq. Early talk of cutting back on ground forces during the early Rumsfeld tenure has stopped-at least for the foreseeable future-given the challenges posed by the Iraq stabilization mission.

The Two-War Framework. Since the cold war ended, U.S. armed forces have been designed to be able to fight and win two full-scale wars at once. The Bush administration modified the requirement in 2001 so that only one of the victories needed to be immediate and overwhelming. More broadly, the new force planning framework was dubbed "1-4-2-1."[8] That meant that American military capabilities would be designed to defend the homeland, maintain presence and deterrence in four theaters, fight up to two wars at a time, and be capable of winning one of them overwhelmingly including overthrowing the enemy government and occupying its territory.[9]

There is a good reason that, even as specifics are debated and modified, a two-war capability of some sort has been maintained by the United States. It permits the country to fight one war without letting down its guard everywhere else, which would undercut deterrence and perhaps increase the likelihood of a second conflict.

Given the strains on the U.S. military in Iraq and to a lesser extent Afghanistan, this purported two-war capability is somewhat shaky today. The United States would have a hard time conducting another major operation abroad now and for the foreseeable future. But in extreme circumstances, it would still have options. Most Air Force and Navy assets are available for possible crises. And in a true emergency, the Army and Marines would have several active-duty divisions available for deployment (as well as several more in the Army National Guard). These units would not be rested; they would have considerable amounts of equipment inoperable and in the maintenance depots; some of their ammunition stocks could be low. But they would still probably operate at anywhere from 50 to 80 percent of full effectiveness, constituting a substantial combat capability.

If any such second major war occurred, there would be little or no rotation base from which to sustain and ultimately substitute for forces sent to fight it. Any large war which actually required such a deployment, while the Iraq operation remained substantial in scale, would probably also immediately necessitate full activation of the National Guard—and perhaps even a consideration of extreme steps such as limited military conscription. But at present, this extreme option need not be considered, and the quality of America's overall deterrence posture need not be seriously doubted.

So the two-war logic is still sound, and U.S. forces are still capable of backing it up with the necessary capabilities. Still, with the Iraq invasion now over, 1-4-2-1 no longer seems quite the right framework for American force planning. In one sense, of course, it is still applicable, in that the last "1" is precisely the kind of operation that continues in Iraq today. But there is a need for greater flexibility in thinking about what the "2" might entail in the future. A major conflict against the PRC over Taiwan, with its likely naval and air predominance, would be much different than war in Korea; conflict against Iran focused on Persian Gulf waterways would be radically distinct from another land war against Iraq. There is a temptation to advocate, therefore, a slogan such as 1-4-1-1-1, with the latter three "1s" describing a major naval/air confrontation, another large land war, and a big stabilization mission like that now underway in Iraq. The last chapter of this book explores some of the other scenarios that could fall within these categories.

Current Deployments. Prior to September 11, 2001, the United States military had about 250,000 uniformed personnel stationed or deployed overseas at any given time. Just over half were in permanent bases; the others on temporary assignments

away from their main bases and families. In broad terms, just under 100,000 U.S. troops were in East Asia, mostly in Japan and South Korea or on ships in the western Pacific. Just over 100,000 were in Europe—mostly in Germany, with other substantial totals in the United Kingdom and Italy. Some 25,000 were ashore or afloat in the Persian Gulf region.

Since that time, of course, deployments have increased enormously in the Central Command's theater of responsibility, encompassing as it does Afghanistan and environs as well as Iraq. In the last 2 years, there have been about 200,000 personnel in the CENTCOM zone. All together, these deployments made for a grand total of about 400,000 uniformed personnel overseas in one place or another (see table).[10]

The Department of Defense is planning major changes in its overseas basing.[11] Among the proposed changes are to reduce American forces in Korea and relocate many of those that remain south of the Han river and out of Seoul. In addition, the Pentagon would move large numbers of troops who have been garrisoned in Germany either back home to the United States or to smaller, less permanent bases in eastern Europe where they would be closer to potential combat zones.

THE PENTAGON BUDGET

America's defense budget is, at first blush at least, staggeringly high. Specifically, in 2005 national security funding for the United States is $424 billion, including Department of Energy nuclear weapons-related expenses but not counting the costs of Iraq and Afghanistan (or the Department of Homeland Security). For 2006, $442 billion has been requested.

Depending on how one estimates the spending of countries such as China and Russia, U.S. defense spending almost equals that of the rest of the world combined, as noted above. And, even after being adjusted for inflation, it exceeds typical cold war levels, when the United States faced a great power or peer competitor with global ambitions and enormous capabilities deployed throughout much of Eurasia.

But in a broader sense, judging whether U.S. defense is spending high or low depends on the measure. Compared with other countries, it is obviously enormous (see table on international comparisons). Relative to the size of the American economy, by contrast, it remains moderate in scale by modern historical standards at just under 4 percent of GDP (less than Reagan or even Ford and Carter levels, and only half of typical cold war levels). And given the relatively modest size of the U.S. military—representing only about 8 percent of all military personnel in the world today—the budget is best understood as a means of fully and properly resourcing the country's limited number of men and women under arms. It does not reflect an American ambition to field an enormous fighting machine.

The reasons for a very large U.S. defense budget are not hard to understand. The United States has security alliances or close partnerships with more than 70 overseas countries (featuring all of the other 25 members of NATO, all of the Rio Pact countries in Latin America, several allies in the Western Pacific, and roughly a dozen countries in the Persian Gulf-Mideast region). It alone among the world's powers takes seriously the need to project substantial amounts of military power quickly over great distances for sustained periods. Indeed, the United States possesses by my estimates more than two-thirds of the world's collective power projection capability, and an even higher percentage if one focuses on high-quality units.[12] The United States alone undergirds a collective security system in the western world that helps many countries feel secure enough that they do not have to engage in arms races with neighbors, launch preemptive wars of their own, or develop nuclear weapons.

The era of increasing defense spending does not yet appear to be over. Expectations are for continued annual increases of about $20 billion a year-roughly twice what is needed to compensate for the effects of inflation (or to put it differently, real budgets are expected to keep rising at about $10 billion a year, as shown in the attached table).[13]

Indeed, in political terms, it may actually be easier to find some of those economies now—while the country is increasing defense budgets and increasing support for troops in the field—than to wait until a later moment of general budgetary austerity. Few could accuse any politician of being anti-defense if he or she is supporting $20 billion annual budget increases for the Department of Defense. So such individuals may be better placed to push for tough choices and economies currently than in the future.

Many trends continue to push real defense spending upward even when troop strength is not growing. Historically, weapons costs have increased at 2 percent to 3 percent per year in real, inflation-adjusted terms. A similar trend pertains in the operations and maintenance accounts. Rising health care, environmental cleanup,

and other such activities affect the military as much as any other sector of the economy. For example, DOD's medical costs almost doubled in real terms between 1988 and 2003, to just under $30 billion.[14] In addition, while military compensation is now rather good for most troops (by comparison with civilian jobs requiring comparable experience and education), it is important that it stay that way. To attract top-notch people, military pay increases must keep up with civilian pay, which can require real growth of at least 1 percent a year.[15] Further increases in pay for certain specific groups may be appropriate, such as highly-skilled technicians with much more remunerative job opportunities in the private sector, or those reservists called up to active duty for extended periods who sacrifice large amounts of income as a result.[16]

Potentially countering these broad trends are several opportunities to save money within the defense budget. In all probability, they will not save great deals of money quickly. In fact, they are best viewed not as means of saving money in the literal sense at all, but of reducing the rate of defense budget growth relative to what might otherwise naturally occur. But by this measure, they should be able to free up enough—$5 billion a year soon, perhaps two to three times as much by decade's end—to help fund the temporary increase in troop strength that seems necessary given the demands of the Iraq mission and the war on terror.

Emphasizing Advanced Electronics and Computers in Defense Modernization. One reason the Pentagon budget is slated to grow so much in coming years has to do with buying weaponry. Some of the upward pressure arises from high-profile issues such as missile defense. But most comes from the main combat systems of the military services, which are generally wearing out. Living off the fruits of the Reagan military buildup, the Clinton administration spent an average of $50 billion a year on equipment, only about 15 percent of the defense budget in contrast to a historical average of about 25 percent. This "procurement holiday" must end, and is ending.

But the Pentagon's weapons-modernization plan is still excessive. Despite the cancellation of the Navy's lower-altitude missile defense program, the Army's Crusader howitzer, and the Army's Comanche helicopter, as well as the administration's planned cutbacks in the 2006 budget request for weapons such as the F-22, more reductions would be appropriate. Although procurement budgets must continue rising, the rapid increases envisioned in current plans are not essential. Economies can almost certainly be found through expanded applications of modestly priced technologies, such as the precision weapons, unmanned vehicles, and communications systems used so effectively in Afghanistan and Iraq.

A more discriminating and economy-minded modernization strategy would equip only part—not most or all—of the armed forces with extremely sophisticated and expensive weaponry. That high-end component would hedge against new possibilities, such as an unexpectedly rapid modernizing of the Chinese armed forces. The rest of the U.S. military establishment would be equipped primarily with relatively inexpensive upgrades of existing weaponry, including better sensors, munitions, computers, and communications systems. This approach would also envision, over the longer term, greater use of unmanned platforms and other new concepts and capabilities, while being patient about when to deploy them. Such an approach would not keep the procurement budget in the current range of $70 billion to $75 billion. But it might hold it to $80 billion to $90 billion a year instead of $100 billion or more now projected.

Privatization and Reform. All defense planners endeavor to save money in the relatively low-profile parts of the Pentagon budget known as operations and maintenance. These accounts, which pay for a wide range of activities including training, overseas deployments, upkeep of equipment, military base operations, and health care costs—in short, for near-term military readiness—have been rising fast in recent years, and it will be hard to stop the upward trend.[17]

Some savings are already in the works. Congress has agreed to authorize another round of base closures in 2005.[18] Since the cold war ended, U.S. military forces have shrunk by more than one-third, yet domestic base capacity has fallen only 20 percent. That suggests that another reduction of 12 to 15 percent could be appropriate. The recent Bush administration decision to bring home about 70,000 troops from abroad might reduce the scale of the next BRAC round and imply a net reduction closer to 10 percent of existing domestic capacity. But after initial implementation costs that could reach $10 billion or somewhat more, retrenchment of base capacity will reportedly save about $7 billion annually (including some savings from abroad).[19]

Overhauling military health care services by merging the independent health plans of each military service and introducing a small copayment for military personnel and their families could save $2 billion per year.[20] Other savings in operations and maintenance are possible. For example, encouraging local base com-

manders to economize by letting them keep some of the savings for their base activities could save a billion dollars a year or more within a decade.[21]

All that said, the activities funded by these accounts are crucial to national security and have proved tough to cap or contain. Privatization is no panacea; it takes time, sometimes raises various complicated issues about deploying civilians to wartime environments, and generally saves much less than its warmest advocates attest.[22] Often it leads to increases in the size of civilian personnel payrolls funded out of the defense budget without reducing uniformed strength—potentially thereby increasing, not reducing, total costs.

Another broad approach is to improve the efficiency with which military forces are deployed and employed. That could lead to some cuts in personnel, at least over time. The Navy has some of the most interesting ideas in this light; they can be pursued further, perhaps allowing modest decreases in the size of the fleet (in addition to less strain on people and equipment). For example, more ships can be based near the regions where they are used, as with attack submarines on Guam. Crews can be airlifted from the United States to relieve other crews on ships deployed abroad, rather than sailing the ships all the way back to the United States so frequently. And the Navy's innovative concept for surging carriers in crises (or for exercises or other purposes), rather than slavishly maintaining a constant presence in key overseas theaters, also could offer at least modest benefits.[23]

GROWING THE GROUND FORCES

The case for increased expenditure in one part of the defense budget—the size and cost of ground forces—also needs to be made. Enormous strain is now being imposed on U.S. soldiers and Marines by the Iraq mission and other responsibilities. The Rumsfeld Pentagon has pursued a number of approaches to free up more soldiers and Marines for deployment out of those already in the armed forces. But those initiatives, while worthy and indeed bold, are not enough given the demands of the times.

The United States should promptly increase the number of soldiers and Marines under arms today—by at least 40,000 active-duty troops, above and beyond the increase of some 25,000 that the Bush administration has already carried out. Today's operations, which could last several more years, are too much for the all-volunteer force to be expected to sustain at its current size. Indeed, an increase is already 18 months overdue. Even though it could take two to 3 years to carry out fully, it must be begun—even if there is a chance that the Iraq operation will be terminated while the increase is being put into effect. The cost of modestly and temporarily increasing the size of the U.S. ground forces, while large, is not terribly onerous. By contrast, the consequences for the nation of continuing to overdeploy soldiers and Marines and thereby risking a rapidly intensifying personnel shortage would be enormous. It is not a necessary risk to run.

Over the longer term, even after the Iraq and Afghanistan missions are complete, the United States will still need substantial ground forces, in addition to major naval and air capabilities. In all likelihood, a force structure similar in size to today's will be needed then, though it may eventually be possible to reduce personnel rosters by 5 to 10 percent. But for now, the pressure of current operations is what must most concern American defense planners—and that pressure requires a temporary increase, not a decrease, in personnel.

CONCLUSION—OTHER NATIONAL SECURITY REQUIREMENTS AND BROADER FISCAL REALITIES

Defense is not the only area requiring budgetary increases. Within homeland security, for example, a much more robust system for inspecting container shipments into the United States is needed, as a team of Brookings scholars argued in a 2003 book, Protecting the American Homeland. Most border security agencies within the Department of Homeland Security each require increased spending in the range of several hundred million dollars a year. More initiatives are needed in aircraft safety, such as greater screening for explosives carried on individuals and for cargo carried on passenger airlines. Rail and truck security demands new efforts, such as greater security where equipment is stored and more robust tracking of hazardous shipments. The surface to air missile threat may require attention at some point. Some private industries that are not yet protecting themselves well enough may need tax incentives to do so. And the United States may have to help some countries abroad, particularly less wealthy ones, with security measures that affect Americans directly, such as better use of digital technology and biometrics in passports as well as better airline security for flights head to the United States.

Similarly, some foreign assistance initiatives are needed if we are to prevent a second generation of al Qaeda to be formed to replace and succeed the first generation. Among other things, this could require a major educational reform initiative, with U.S. resources comparable to those devoted to the millenium challenge account and the HIV–AIDS initiative.

The overall message is that the nation's foreign policy and national security efforts will not permit budgetary savings in the years ahead. Even if we can find economies here and there, as in defense modernization, new initiatives are needed that will generally more than consume any savings.

In broad terms, these conclusions argue against President Bush's proposed tax cuts. Federal deficits, as noted already in excess of $400 billion a year, may or may not be cut in half by President Bush's latest plan. But even if that occurs, his intention to cut taxes, the likelihood of further growth in discretionary accounts and health care, and any costs of Social Security privatization could easily make deficits exceed $500 billion annually in the next decade. They would thus remain at the economically unhealthy level of nearly 4 percent of GDP, driving down national savings rates and increasing America's dependence on foreign investors to propel its economy. Longer-term fiscal trends are even worse, given the pending retirement of the baby boomers together with rising health care costs.[24] Such huge deficits are irresponsible, just as it would be irresponsible not to do what we must within the foreign policy and national security realm to win the war on terror.

ENDNOTES

1. This testimony is derived primarily from my forthcoming Brookings book, Defense Strategy for the Post-Saddam Era, as well as our Brookings study of 2003, Protecting the American Homeland: One Year On.

2. Secretary Rumsfeld's Defense Science Board reached a similar conclusion. See Mark Mazzetti, "U.S. Military Is Stretched Too Thin, Defense Board Warns," Los Angeles Times, September 30, 2004.

3. See Jared Diamond, Guns, Germs, and Steel (New York: W. W. Norton and Co., 1997).

4. Barry Posen, "Command of the Commons: The Military Foundation of U.S. Hegemony," International Security, vol. 28, no. 1 (Summer 2003), pp. 5-46; for a related argument, see Michael O'Hanlon, Technological Change and the Future of Warfare (Washington, DC: Brookings, 2000), pp. 106-167.

5. On the importance of America's transparent system, see G. John Ikenberry, "Institutions, Strategic Restraint, and the Persistence of American Postwar Order," International Security, vol. 23, no. 3 (Winter 1998/99), pp. 43-78.

6. Matt Moore, "Worldwide Military Spending Up Sharply," Philadelphia Inquirer, June 10, 2004.

7. Department of Defense News Release, "National Guard and Reserve Mobilized as of February 25, 2004," February 25, 2004, available at *www.defenselink.mil/releases/2004/nr20040225-0366.html*. At that time, mobilized Army reservists totaled approximately 155,000, Air Force 18,400, Marine Corps 5,400, Navy 2,300, and Coast Guard 1,600.

8. See Posture Statement of General Richard B. Myers, Chairman of the Joint Chiefs of Staff, before the Senate Armed Services Committee, 108th Congress, February 3, 2004; and Secretary of Defense Donald H. Rumsfeld, Quadrennial Defense Review Report (Washington, DC: Department of Defense, September 30, 2001).

9. General Richard Myers, National Military Strategy of the United States, 2004 (Department of Defense, 2004), p. 18.

10. Testimony of General John P. Abizaid, Commander, United States Central Command, before the Senate Committee on Armed Services, March 4, 2004, pp. 1, 7-8, available at *www.senate.gov/?armed—services/testimony.cfm?wit—id=2312&id=1043*.

11. As General Richard Myers put it, "During the FY 2004 budget cycle, Congress voiced concern over the Department's overseas basing plans. Since then, our global posture strategy has matured. We are now in the process of detailed consultation with our allies and Members of Congress." See Myers, Posture Statement, p. 33.

12. Michael E. O'Hanlon, Expanding Global Military Capacity for Humanitarian Intervention (Washington, DC: Brookings, 2003), pp. 56-57.

13. Adam Talaber, The Long-Term Implications of Current Defense Plans: Summary Update for Fiscal Year 2004 (Washington, DC: Congressional Budget Office, July 2003), p. 2.

14. Allison Percy, Growth in Medical Spending by the Department of Defense (Washington, DC: Congressional Budget Office, 2003), pp. 1-2.

15. See Amy Belasco, Paying for Military Readiness and Upkeep: Trends in Operation and Maintenance Spending (Washington, DC: Congressional Budget Office, 1997), p. 5; and Lane Pierrot, Budgeting for Defense: Maintaining Today's Forces (Washington, DC: Congressional Budget Office, 2000), pp. 18-23.

16. Tom Lantos, "Military Hardship Duty: Fill the 'Pay Gap' for National Guard and Reserves," San Francisco Chronicle, June 10, 2003, p. 23.

17. Gregory T. Kiley, The Effects of Aging on the Costs of Operating and Maintaining Military Equipment (Washington, Congressional Budget Office, 2001). Congressional Budget Office, Paying for Military Readiness and Upkeep: Trends in Operation and Maintenance Spending (U.S. Congress, 1997).

18. Some optimists tend to exaggerate the savings from possible base closings, however. Wayne Glass, Closing Military Bases: An Interim Assessment (Washington, Congressional Budget Office, 1996).

19. Frances Lussier, Options for Changing the Army's Overseas Basing (Washington, DC: Congressional Budget Office, 2004), p. xiv.

20. See Ellen Breslin-Davidson, Restructuring Military Medical Care (Washington, Congressional Budget Office, 1995); Russell Beland, Accrual Budgeting for Military Retirees' Health Care (Washington, Congressional Budget Office, 2002).

21. Robert F. Hale, Promoting Efficiency in the Department of Defense: Keep Trying, but Be Realistic (Washington, Center for Strategic and Budgetary Assessments, 2002).

22. P.W. Singer, Corporate Warriors: The Rise of the Privatized Military Industry (Ithaca, N.Y.: Cornell University Press, 2003).

23. Dave Ahearn, "12 Carriers Needed Despite Efficiencies-Admiral," Defense Today, July 9, 2004, p. 1.

24. Peter A. Diamond and Peter R. Orszag, Saving Social Security: A Balanced Approach (Washington, DC: Brookings, 2004), pp. 27-38.

Chairman NUSSLE. Thank you, and I thank all our witnesses for your testimony.

In part, what I wanted to be able to accomplish here today has been accomplished, and that is to begin a discussion about our priorities. I understand the frustration on the part of my colleague, Mr. Barrett, who wanted the opportunity to grill one of the administration witnesses and appropriately so.

But what I wanted to do is, as opposed to the—I am not going to say this respectfully enough. As opposed to the happy talk defense of the budgets that often come from all the administration witnesses, whether they be Republican or Democrat. I wanted to, particularly 3, 4 years after the attacks of September 11, begin a different discussion. I am not convinced—well, I am convinced on the size; I mean, we are all probably convinced on the size, meaning we think we ought to spend a whole lot of money on defense and homeland security. I think that was the testimony that you have given us today is that, you know, this—in this instance size does matter, and it is an important perspective that we have to gain, particularly vis-a-vis the rest of the budget.

But what I have not been convinced about is how we are spending it, how well we are spending it, where the priorities are. I am a volunteer fireman, I say to my friend, the colonel, who had mentioned this about fire departments. I am a volunteer fireman, and I understand their interest in getting a new truck and being able to claim it is homeland security. I have celebrated their victory in getting that new truck, along with probably a number of other departments across my district. As I am sure my colleagues here on both sides had the opportunity to do. I am not convinced that is the best use of homeland security dollars from the Federal budget. While that was maybe something that needed to be done on the first day of the first week of these new threats, I am not convinced that that is the ongoing need.

Tactic versus strategy is a very important conversation, discussion, debate that we need to have. I don't see it happening; and that is why I wanted to do it, wanted to have the hearing in this format, so that we could at least begin the discussion.

I am sure that we won't end it today, but the how much versus how well we are spending our money is a debate that I think we need to have in all areas. Particularly, homeland security and defense, which have received some of the largest increases in spending over the last 4 to 5 years. There is no question that just prior to September 11 we were holding hearings about the fact that the Defense Department was not doing a good job with its books, and were wasting a lot of dollars, and were not able to account for much of the money that was being spent. My bet is that the same could be true of the Homeland Security Department today.

I want all of that being used in the best possible way, and Congress needs to have that debate. We won't finish it today; there is no question that it is timely. And the how much will continue to probably take center stage, but the how well we are spending money needs to start taking a growing spotlight.

So that is the reason for the method behind the hearings today. You have done an excellent job of setting the stage. I am sure if we let you continue, and even allowed you to have interaction among yourselves, this would probably be even more interesting. Unfortunately we can only begin that process today.

I have thousands of questions, and yet I don't think it is probably worth me trying to get into even one of them at this point in time. I know there are other members who want to have part in this discussion. So I will pass for now and pick up at the very end, and I will yield to Mr. Spratt for any questions he might have, or comments.

Mr. SPRATT. Thank you, Mr. Chairman. I will say again I think we need administration witnesses, but I commend our witnesses because you have come here today and have been very provocative and sort of shaken things up and given us a good perspective that spans a fair piece of the spectrum. So thank you very much for your testimony.

Let me ask you a question. In the Presidential debate, I think it was the first debate, there was at least one thing on which both candidates agreed, which Colonel Larsen averred to, and that is that the gravest threat facing the United States is the threat of terrorists armed with nuclear weapons, even crude radiological weapons.

About 5 years ago, I believe, Howard Baker and Lloyd Cutler were the cochairs of a commission that looked into the problem of nuclear proliferation, and the threat that the one thing that terrorists need to have nuclear capacity is nuclear materials, fissile materials, plutonium, and enriched uranium. They came back and made a unanimous recommendation that we take the amount of money we are spending, which was then about $1 billion, on cooperative threat reduction, non-Lugar, and triple it over a period of several years.

Today by my calculation we are about where we were 5 years ago. We really have not increased that amount of spending at all,

even though both candidates agree this is the gravest threat facing us.

One way, it seems to me, to pay for it would be to do something I know Mr. Gaffney would not agree with, but that would be to cut back on the strategic forces, bring them down to the level that we have agreed upon in the SORT Treaty with the Russians, closer to 2,200 warheads deployed, and generate some savings that then would be used to deal strategically with the other end of the threat, namely nuclear weapons in the hands of the world's most dangerous people.

Would the whole panel respond to that idea? Let's start with Colonel Larsen, since he broached the idea in the first place.

Colonel LARSEN. Yes, sir. The idea of focus on delivery systems—and in Mr. Gaffney's opening comments he talked about new quiet submarines as a means to deliver biological weapons. I am telling you, we saw how they delivered biological weapons in the U.S. Capitol in October of 2001: They used the U.S. mail and there are many ways. So I would worry less about delivery systems.

Now, it is not that I am against missile defense; I think it is very important in a theater defense. We have got our troops deployed out there; we have to be able to do something about SCUDS and other sorts of things that will be coming along. But when we are talking about a national missile defense system, I think taking a percentage of that money and putting it on things that I see as much more of a threat would certainly be—as a taxpayer and someone interested in national security, I think America will get a far better return on investment and be far more secure by what you say. Even a more recent study done by the Nuclear Threat Initiative came back with the same sorts of recommendations you were talking about.

The one point I would disagree on, when you talked about the radiological dispersal device, that one is out of the bags, that one is like biological weapons; I can go to hospitals in Washington, DC, and get enough cesium-137 to make a dirty bomb. However, that is not going to kill a lot of people. That is kind of like a hurricane hitting your town——

Mr. SPRATT. It will make the large areas unhabitable for a long time.

Colonel LARSEN. Certainly could be. But the one that I worry about the most—and there are lots of threats here, chemical plants and whatever, but those two tops ones, they are in a class by themselves. And that is weapons-grade, highly enriched uranium, and that one—the one that frustrates me, sir, that is solvable, there is something to do about that. Do not let them get their hands on it; they can enrich it.

Mr. SPRATT. Last year I offered an amendment in the markup of the defense authorization bill, a measly $25 million to begin an effort. I went over to the telephone and called the Administrator Admiral Brooks. Do you support this? Absolutely. I will make some telephone calls to support it.

I went back in the committee, I offered it, had an offset, didn't add a dime to the bottom line of the budget. The offset I thought was nonobjectionable; didn't get approved. That is a piece of low-hanging fruit if I ever saw one. We know the threat is there, and

for a relatively, relatively small sum of money, we could take care of that aspect of the threat. Mr. Gaffney.

Mr. GAFFNEY. If I may just dissent, I guess, a little bit. It is not that there is not a threat here, the question is what can you do about the threat? I am all for defending our troops against missile attack, I just think that the American people expect and deserve to be defended against it as well. I consequently wouldn't recommend at this point cutting funding from that for these other purposes.

I am not so much opposed to making changes in our strategic forces as I am trying to ensure that we still have them. I invite this committee to take a hard look at what is happening to the nuclear arsenal of the United States, and it is degrading. And the fact that we don't know how much it is degrading is a function of not having tested it.

Congressman Spratt and I have joined each other in debates for at least a decade about how rigorous we have to make our testing of missile defenses. There can't be an adequately rigorous test to ensure that these things actually will work the way they are supposed to. And yet the weapons that we have in substantial quantity and upon which I continue to believe we rely have not been tested in 13 years, and they are changing from under us.

So whether you can actually free up large amounts of money by limiting the number that we retain in stockpile or not I would leave to others to debate with you, Mr. Spratt; but I certainly would suggest to you that we need to be spending what it takes to ensure that whatever we hold in stockpile works when we need it to work, if God forbid we do, and doesn't work when we don't want it to.

If I may just address your other point, please.

The problem that I have with a lot of this scrambling around trying to prevent materials from falling into bad hands is, one, A.Q. Khan has been in the business of supplying this stuff to people, the technology, the know-how, and to some extent the materials, and people in his network outside of the former Soviet Union—we have just heard about North Korea's fissile material apparently migrating to Libya. This is going on. I am afraid, you know, some of these cats are out of the bag.

I suggest to you that another problem is that the Nuclear Nonproliferation Treaty facilitates this problem. One of my colleagues has mentioned that we have these research reactors all over the place. Well, that is because the deal has been to give everybody the nuclear materials and nuclear technology they need to have nuclear weapons as long as they promise not to have nuclear weapons. And if they lie, they still have all of that stuff; and hence, you now see a number of these countries in the business all by themselves, again, without regard to what they might get from the former Soviet Union.

Mr. SPRATT. Look, you know why that is. In the NPT, the Nuclear Nonproliferation Treaty, a grand bargain was struck, and countries which said they would forego, foreswear nuclear weapons were induced to say so by the representation that they would still have nuclear materials so they could have nuclear fuel energy, they

could do nuclear research, they would not be left out of what was a realm of science, they would still have that capacity.

Now, there is a problem there that you just touched upon, that Bill Perry and Ashcroft have both addressed it, and the President, a month later, addressed it in his speech on February 12, 2004, at the War College, and that is a fuel cycle has inherent contradiction in it. How you get out of that problem is going to take some very deft diplomacy, but really we have got 184 signatories to the NPT. It is the most widely-subscribed-to treaty in the world. Granted, there has been some cheating, sometimes with impunity, but it has succeeded, by and large, in preventing these nuclear weapons from spreading all over the world.

Mr. GAFFNEY. I would just say very quickly, it is not working in the places where we need it to work most.

And just on your last question, the danger of putting a lot of money into the former Soviet system to safeguard the stocks of enriched uranium that could be migrating to some of these very dangerous places is we are spending a lot of money on better padlocks and fences and security systems, and yet the people running those may be part of the problem. How many of these people are tied in with the KGB or Mafioso connections that are part of the problem?

Mr. SPRATT. Believe me, if you go to Vector or the old weapons facilities, chemical weapons facilities and biological weapons facilities, in Russia and see what is there today compared to what was there before, it used to be one strand of barbed wire, today we have got triple concertina, we have got constant surveillance. You may say these things are all—can all be thwarted, and they can, but it is still vastly superior to what was put there before. I mean, you can't deny that.

Mr. GAFFNEY. Who has the key, Mr. Spratt? That is the question. Who controls those facilities? And if it is in the wrong hands, it is still in the wrong hands.

Mr. SPRATT. It is 98 percent better, and there is a 2 percent risk. That is what I would say to you.

Mr. O'Hanlon, Colonel Larsen.

Colonel LARSEN. Just one thing. Those research reactors, they don't need 90 percent enriched uranium in them. We can replace it with 20 percent——

Mr. SPRATT. And it belongs to us.

Colonel LARSEN. And you can't make a bomb out of that.

Mr. SPRATT. So we can reclaim it, bring it back to the Savannah River if we have to—that is where most of it comes—and store it. It does not have to be there.

Mr. O'HANLON. Congressman, I would simply add that I think one could have a fairly robust stewardship program within the Department of Energy (DOE). And you may choose to simply rebuild some of these weapons without waiting to have it proven to you that they are going bad. It is called engineering-based stewardship, which is just rebuild the weapons to original specifications——

Mr. SPRATT. That way you keep this generation and the next generation of scientists understanding how the weapons work, how they are put together from hands-on experience.

Mr. O'HANLON. So on that point I suppose I disagree with Frank, but I still agree with him that there is not a lot of savings to be

had here, because just doing that takes a fair amount of money. But still you get a few hundred million if maybe you shut down or partially consolidate one of the three major labs, and that goes some of the way toward the added $2 billion a year you wanted for non-Lugar.

In addition, I think we have too many Trident submarines and Minuteman missiles still today. I just don't see the need for 500 Minuteman and for 14 Trident subs carrying nuclear weapons. So I think there is some——

Mr. SPRATT. That is why there is some suggestion in systems deployed we have climbed to 6,000, 7,000 warheads. We can scale back prudently to the 2,200 level sooner than we committed in the SORT Treaty and save some money there that then might be deployed, redeployed to the nuclear threat.

Mr. O'HANLON. And in addition, I think that we can rethink how we are deploying—our ultimate aim point for the SORT Treaty. We don't necessarily need the same number of systems that the Pentagon has currently proposed. We could field 2,200 warheads at lower cost than now planned. So in addition to doing it more quickly, we can actually find a cheaper way to do it, and I would support that. You may be able to free up some of those Trident submarines and convert them into conventional submarines, partially address the problem Frank mentioned with an insufficiently large Navy ship-building budget, a point I totally agree with.

So I think when you look at all of this together, there is a way to find a few hundred million in savings here, a few hundred million in savings there, maybe clip another billion a year off missile defense, which is still well above where Ronald Reagan ever had it in budgetary terms, even though the administration has come back somewhat.

I would like to see this current mid-core system fixed and deployable and operational, but I don't think we need to be spending $8½ billion a year on missile defense, something in the $7s—I think is reasonable. So you cut back a billion there, a half billion in DOE, maybe a half billion in your DOD operational cost for the Minuteman and the Tridents, and you have got the $2 billion that you need for non-Lugar.

So I think there are ways to do this that don't require radical change or unsafe change in our national security policy.

Mr. CARAFANO. I think the one thing we all agree on is that we all agree that for virtually every form of weapon of mass destruction, the cow is either out of the barn, or closing the barn door is really, really hard. So the question is very simple: If your goal is how should I strategically invest my money to best prevent catastrophic attacks, then the answer, I think, is really relatively simple. First, priority number one is you invest in counterterrorism systems, both at seas—overseas and at home, that break up the networks that might want to do this; you go after the bad guys first. That should always be your number one funding priority. Number two is you fund things like the Proliferation Security Initiative's proactive capabilities to go after people that specifically might be using these kinds of weapons. And then I think, quite frankly, with the money you have left over, you spend on Coopera-

tive Threat Reduction. It is your third and lowest priority because it is the least payoff for the buck.

And where does missile defense fit in this in the bag? I think, quite frankly—I don't understand why you wouldn't want a missile defense system. If you look at the ballistic—I wouldn't understand why any country on the planet would not want a ballistic defense system. If you look at the proliferation of ballistic missile technologies and the leverage, both diplomatic and in security terms, that you have on the table if you have the capability to defend yourself against a ballistic missile threat, it just seems to me the prudent component that you would want in any kind of combination of counterproliferation machine.

Mr. SPRATT. It assumes they are efficacious, and that is the big hurdle, harder than anyone perceived when it was first conceptualized by General Graham and others.

Frank and I have had a long-standing disagreement here, we will not tie up the rest of you with our debate, but he did mention the problem with electromagnetic pulse, Ballistic Missile Defense (BMD), Strategic Defense Initiative (SDI), and others came to the conclusion a long time ago, if we were assaulted with several hundred warheads at the same time, a big wave coming out of a major power against us, and if any of those were salvage-fused so that they would explode upon impact in the atmosphere, you would have the very kind of electromagnetic pulse he is worried about, which, among other things, would thwart your further defensive system, it would blind your radar, it would make our sensors practically useless, and it would render the whole system in the second wave, and really halfway through the first wave, useless.

So there is no full—nobody is even talking today about a complete umbrella that would totally project you against nuclear systems, against the Chinese today as they are equipped, against the North Koreans. Certainly we could do that. I am in support of ground-based systems, and I am in support of trying to do the ship-based system. I am also a skeptic as to whether or not we can win that technology. We won't get into that debate today.

But thank you all for coming in and, as I said earlier, for giving us very provocative testimony.

Chairman NUSSLE. Mr. Garrett.

Mr. GARRETT. Thank you, Mr. Chairman.

Mr. Chairman, you started out by saying that normally we get a lot of happy talk. I would say that we have gotten no happy talk today, quite the opposite, just a lot of ominous and dire predictions for the future that maybe perhaps puts a lot of our other discussions that we have here on other spending programs—and when people say, gee, you can't cut my little program and my pet project in my district for this or that, maybe it puts all these other things into perspective.

I just have a couple of questions I would like to run through.

Mr. Gaffney, you made a point of saying this at one point, maybe you can just clarify it in a sentence or two, when you said that our country is one of the few nuclear powers that is not able to produce nuclear weapons. You made a point on that.

Mr. GAFFNEY. I think it is the only one at this point.

It is true that if you go out to one of the nuclear laboratories and ask them to hand-build you one, that we have some vestigial capability to do that—Randy may be doubling that capability if you give him the nuclear materials that he says he could use to put one together. But in terms of a production capability, we have none, and as far as I know, we are the only nuclear power that is true of.

Mr. SPRATT. If the gentleman would yield just a second.

Now you have talked about building TA-55 at Los Alamos, warheads, which is—excuse me, I am sorry, I just wanted to make the point—building TA-55 at Los Alamos has a through-pick capacity of about 55 warheads a year. And while that may be on the low end of what might be needed, with a second shift it would probably be augmented, and that is a production capability.

Mr. GAFFNEY. Yeah. To my knowledge it is not a live, hot production capability.

Mr. SPRATT. Oh, it is active today. They have got a full shift, they are working warheads, refurbishing warheads.

Mr. GAFFNEY. Refurbishing warheads, as you know, is different than building new nuclear devices. And this is a point I guess I would just come back to you, if I may, on your time, sir.

You know, this idea that we can just sort of muddle through, my colleague has suggested rebuilding things to existing specifications, that is illegal. It is illegal——

Mr. SPRATT. But look, Frank, let me say this; it is not billions of dollars expense so we can better understand nuclear explosions——

Mr. GAFFNEY. It is faith-based nuclear deterrence, it is not science-based.

Mr. SPRATT. Thank you for letting me interrupt.

Mr. GARRETT. No, I appreciate the question, and the clarification as well.

I would like to go back—changing that topic—to the homeland security issue, as all of us do represent various unique States. I come from the State of New Jersey, which is unique from a risk-based assessment. We have, you know, two major ports, a couple of international airports, petroleum processing plants, petroleum storage plants, chemical processing plants, I mean—Amtrak and transit throughout that area. Much of the east coast would be closed down as far as resources, as far as fuel is concerned if we had a major attack in our State, and whereas the rest of the country is not elevated, New Jersey was recently elevated in level.

And from the practical political sense, when we go back to our States, such as ours, the question always is, is there something that we should be doing down here as members as far as changing the entire risk-based assessment of how we handle the funding that we get? The chairman very nicely equated it to getting a new fire truck, or in some cases just buying new hoses in the fire departments. Are we going just down the totally wrong road as far as what we have done so far as risk-based assessment or lack of risk-based assessment in spending our dollars?

Mr. CARAFANO. Yes, we are. And first of all, I would like to vehemently disagree with Mike that I do not think we should be spending $5 billion more on homeland security because I think right now

we are already throwing money at the problem, and just adding it doesn't really solve anything.

But we made a fundamental mistake after 9/11, which is that we assumed that the purpose of Federal dollars that would flow to State and local governments were for capacity building, and we had to increase for capacity to help respond to terrorist attacks, and that was an enormously bad strategic choice because we can, quite honestly, pour money into that forever. And I worked on the Council on Foreign Relations Analysis, and we came up with $100 billion in unmet requirements, and that was just in preparedness, it did not even include police departments. So it is a bottomless pit. So it was a fundamentally flawed strategic approach.

We should really go back and start over, and we should start with a fundamental premise: Federal dollars should be spent to make all Americans safer; not some, not in New Jersey, not in California, but all Americans.

So what does that mean? I think it really means two things. One is the Federal dollars should be there to help build a national system that everybody can plug into, private sector, State and local, so when we have to respond, we can make the best and most sufficient use of all the resources that we have throughout the Nation as one brotherhood.

The second issue is catastrophic terrorism. Catastrophic terrorism will achieve the capacity of any State and local government to respond. So we do need to have, again, a national system that if we can't prevent a catastrophic terrorist attack, that the Nation as a whole can respond efficiently and effectively to catastrophic terrorism. I think that that really throws out the whole notion of a risk- and vulnerability-based system and moves to a system which is basically based on meeting national strategic needs as opposed to meeting State and local needs.

Colonel LARSEN. I really agree with that assessment. We will go bankrupt trying to do that. You know, if we buy a nuclear-powered aircraft carrier, it makes every American safer in terms of national security, but when we buy a new fire truck for a small town in New Jersey, it doesn't do anything for the people in Dallas or anywhere else. So I think we have to go forward with that perspective.

The regional approaches though, however, I do support, exercises and equipment, that when we fund exercises at the Federal level, is that it shouldn't be for a certain State or district, it should be for the regions to work together. I think Mayor Garza in San Antonio has done some great work on this; he said, I don't need every fire department to have every piece of equipment I would ever want, but I need to know within a 200-mile radius where that equipment is, and if I could get it in a crisis. And so I think that is a much better approach.

Mr. O'HANLON. Congressman, I would just simply add that on this point I agree with my colleagues, that the added expenditures I think we need in homeland security are not for first responders; in fact, I strongly disagree with the Council on Foreign Relation's report that proposes $20 billion a year more for that area. I think the areas we need more capability are things like inspections for containers coming into this country, expediting our linking of databases, and use of biometric indicators on various kinds of identi-

fication, thinking about how to better protect airplane cargo holds against explosives.

There are a number of areas that still require additional resources, but I would simply add and agree that this is not generally a problem where you throw money at the first responder community. That is not a very useful way to spend homeland security money.

Colonel LARSEN. If I could make one more comment. At the Federal level we have got to stop wasting money. TSA——

Mr. GARRETT. Let me write that down——

Colonel LARSEN. TSA has a new program, and I don't like the way they are spending my taxpayers' money. Now right after 9/11—in the Patriot Act it said let's fingerprint all those truck drivers out there—I mean, let's check the names of all the truck drivers who carry hazardous cargo. Well, that made sense right after 9/11 because we knew there were some al Qaeda people that went through big truck driver schools. They did not find many people, but it was a reasonable response at that tactical quick level.

Now there is a new program that is not directed by the U.S. Congress, it came up with the TSA. They want to fingerprint all the people who have that little permit to carry hazardous cargo in the United States to see if we get fingerprints and they are bad people. There are 2.7 million people that have that particular license to carry hazardous cargo; TSA estimates it is going to be $100 apiece. That is $270 million we are going to have on this fingerprint program.

Now, let me explain to you what hazardous includes: fingernail polish remover, paint, Coke syrup, and Listerine. Now, is that the best way to be spending $270 million for homeland security?

Mr. GAFFNEY. Congressman, I guess I just would add one point, which may seem off the subject since you are talking about the Federal budget here, but the one thing that strikes me as going woefully unaddressed is what can we do to enlist the American people in a greater level of preparedness, and awareness even, of the kinds of threats that we may be facing at the homeland security level.

You know, we have had some fits and starts in this area, notably the whole idea of having people provide tips as to things that they see that are out of place or suspicious or worrisome in their communities. But I have sensed, and I suspect each of you have as you go around your constituencies, there is a yearning on the part of the public to feel as though they have got a role to play, and I think in the area of emergency preparedness, particularly of the kind of larger catastrophic kind, having the public engaged in understanding what their communities are going to have to do—you know, this 24, this television show that is running now, broadcasting about meltdowns in nuclear plants around the country, well, there is some plan that is trotted out to go get people out of the communities affected. I suggest to you that most of the people in this country have not a clue what that plan would be if it were to be implemented today. That is a place where I think for probably negligible funding something could be done that could actually make a material difference in how we will respond if, God forbid, one of these unhappy bits of news happens.

Mr. GARRETT. Thank you.

Chairman NUSSLE. Mr. Baird.

Mr. BAIRD. I thank the gentleman.

One of my challenges, as I look at these budgetary projections, is the inaccuracy of projections we have heard in the past in this committee, and let me give you some examples.

In February of 2003, Secretary Wolfowitz said, in quotes, Every time we go down on a briefing on the Iraq War, it immediately goes down six different branches of what a scenario might look like. If we costed every single one of them, we could maybe give you a cost range between $10 billion and $100 billion. Well, we are approximating $200 billion already, and the President has got another $80 billion he is asking for.

So I have a concern that there seems to be this exponential growth almost in the reality of some of these costs versus the projections. And again, I am sorry the Secretary cannot be here; he made a similar kind of statement about the numbers of troops we would need. So I would just preface the remarks I am going to make with a concern about the validity and accuracy of some of the information we receive in this committee from the administration.

Something I did not hear from your remarks, and I understand it may be a different budgetary line, but we have, already, waiting lists for our veterans when they are coming back, waiting lists in terms of who can get seen, etc., and I am very concerned about that. Last year in this committee we heard testimony that the President's proposed budget was a couple billion dollars shy of needs. Myself and Darlene Hooley and some others have proposed a $1.3 billion addition to the $80 billion proposal by—$82 billion proposal by the President.

Do you have any comments on the importance of making sure we take care of the soldiers? It is fun to talk about all the weapons systems and all the gizmos and whatnot and how we need them and whatnot, but at some point troops on the ground matter, and if the soldiers are not taken care of when they come back, we are not going to have troops on the ground in the future. Any thoughts about the role of the veterans in this and taking care of them today so that the future needs of the soldiers can be met?

Mr. CARAFANO. Yeah. I think that is a reasonable point. This is an all-volunteer force. I think we should strive hard to keep it an all-volunteer force. And it is primarily an all-volunteer force because of economic reasons. People do this not just because they are patriotic, but also because they think they are getting a fair deal, and I think that that is a reasonable cost of doing security.

As we look forward, where I really see the issue—and I think here is a point where Mike and I disagree—is this notion about growing the military I really think requires some serious debate and discussion, because if you grow the military in a volunteer force, basically you are bringing somebody on for 20 years, which intends all those costs that you talked about, veteran costs and everything else. That is an enormous expense, which, again, when you are trying to avoid a hollow force, modernization, current operations, trained and ready force, that is going to put a lot of things in competition.

My problem with the notion of let's raise the force level is we still have a force structure which is still very much predicated on the cold war. We have a Reserve component which is still very much created and structured to fight World War III. We have Active Forces which are still—if you look at the structure in Europe, for example—which is still structured for the last war. If we just add people to the force—and the reason why those things never got dealt with was because they were all politically difficult; those were hard choices to make about restructuring Europe or Asia or restructuring just components, and we just ignored them——

Mr. BAIRD. So your point is—I am going to jump in——

Mr. CARAFANO. But the point is, very simply, if we just increase the size of the force, we are never going to go back and fix these inefficiencies, and I think fixing the inefficiencies will give us just as much usable force structure, guys in the foxhole, as adding in the 20,000 or 30,000. That, I think, is a big part of the problem of keeping, you know, the defense entitlement issue under control is keeping the force structure at a reasonable size, and I think growing it, particularly growing the Active component, is not the right answer.

Mr. BAIRD. My concern is that we don't tend to want to pay for the commitments we have made to these soldiers, and that we are willing to send $82 billion over to the theatre, but when the soldiers come back and they need health care, they need prosthesis, they need all the other things, we may not have the resources available in the real time now when they need it. And if we postpone these, I think we will pay greater costs in the long run.

Let me make two other quick comments. One, Mr. Larsen—and I think Mr. Gaffney also raised this—Mr. Larsen, you talked about just bringing a nuclear weapon into this town. I have for several years now, since the night of 9/11, tried to promote the issue that this Congress should be taking care of its own continuity; in other words, what happens if they do bring that nuclear weapon into this town?

Mr. Gaffney, you observed that people don't know about their own evacuation procedures. I would assert that neither do we in this body, and we might be considered somewhat of a high target.

Any comments on the potential that someone might actually one day do that, bring a nuclear weapon into this town and get rid of us very quickly?

Colonel LARSEN. Sir, as a former military officer, I spend a lot of time thinking how the enemy would think about doing this. This would clearly be my number one target. And the House of Representatives, to the best of my knowledge, still does not have a plan about how they could quickly reconstitute if we lost the majority of it.

Mr. BAIRD. That is correct. We have a modified quorum rule that says as few as five or six people could constitute a Congress, and we have a mandatory 45-day election period; assuming it could be done, you would have 45 days with no checks and balances. That is the status in this institution today, and a very ambiguous Presidential succession line.

Colonel LARSEN. Yes, sir. I certainly think that should be addressed.

Mr. BAIRD. Thank you, sir. I yield back my time.

Mr. GAFFNEY. May I just respond as well, since you mentioned me?

First of all, just on the veterans issue, I am enormously admiring of the veterans and people who have served, at great costs in many cases, to their country. You have touched a very, very important point, though, and that is can we afford the price tag associated not just with their service, but their postservice situation? I don't envy you in this committee, or, frankly, in any other committee of the Congress, the job of wrestling with these numbers. They are staggering.

I have to tell you, with the greatest of respect, that the price tag you have just saddled up to—what is it, I think $100,000 now for death benefits—may look like it is something you can accommodate if the death rates that we incurred stay about what we have been incurring, and horrible as those are. But God help us if any of the kinds of calamities that we have been talking about here take place involving our forces.

On the second point——

Mr. BAIRD. I appreciate that, but it is only $1.4, $1.5 billion right now, relative to the costs of some of the systems that you have advocated.

Mr. GAFFNEY. I understand. I am just saying to you, sir, if it grows by a factor of 10, which in most wars——

Mr. BAIRD. It almost equals the cost of one fighter.

Mr. GAFFNEY (continuing). Is what we incur in the cost of the battle, it is a staggering sum. Again, I do not begrudge the people who have lost their loved ones, I am just saying that the economics of this are incredibly important to understand.

I commend you for thinking and worrying about the succession issue. Every time we get through an inauguration a few blocks from here or a State of the Union Address, I am holding my breath because it is such a soft and lucrative target.

I think the kind of work that needs to be done on this, it is being done, I gather, sort of piecemeal and episodically; but it is one of those things that we really don't want to think about, but it is like this EMP attack. One of the findings of this Commission was our vulnerability to it invites the attack; our inadequate preparation for succession invites an attack designed to trigger it.

Mr. BAIRD. That is precisely my concern. I thank the gentleman.

I thank the chairman for his indulgence.

Mr. GARRETT [presiding]. Not at all. Thank you.

Chairman NUSSLE [presiding]. The gentleman from California.

Mr. LUNGREN. Thank you, Mr. Chairman. And I want to thank the panelists for their presentations.

The only reason that I came back is 9/11; I mean, I decided to change my life in response to that. One of the concerns I have, one of the disappointments that I have had so far being in this body—and I love being in this body—is I don't see that 9/11 has essentially changed this institution. If you would go 3 years and 5 months, whatever it is, after Pearl Harbor, it changed the Congress, it changed our defense structure, it changed our society.

Mr. Gaffney, you talked about how the American people are waiting, sort of, to be involved in this. I frankly don't find that. I find

that if you are 3,000 miles away from Ground Zero, as my constituents are, it is difficult to understand that we are in a war on terrorism. When you hear suggestions that no matter what has been done, it has not done enough—that it was just serendipitous that we have not had attacks through 9/11, that does not encourage people to take it seriously nor to do anything.

One of the things I always suggested when I was involved in law enforcement is that you have to show the people that you represent that the steps you have taken have borne fruit. Only then can you learn from those steps and progress.

Mr. O'Hanlon, you talked about increasing force structure. What we really need is effective force structure. Secretary Rumsfeld suggested that we have tens of thousands of men and women in uniform who don't do military things, and that in order to turn those jobs over to nonmilitary people, we have to change the Civil Service system as it affects the Defense Department, yet I don't hear anybody talking about that.

I hear people talking about how it is a fight to try and destroy unions. What we should be talking about is how to create an effective force structure. If the Secretary of Defense comes forward and says, I have identified tens of thousands of people in uniform who are not doing military things, and the way to change that is to get nonmilitary people to fill those roles. In order to have them do that effectively, they have to be more flexible than those under the high ground Civil Service system, it is in the national interest to do that. But we don't talk about that here; we talk about the fights between unions, and the administration trying to dominate unions.

If there is to be a changed awareness in this society and in this institution, we must begin thinking about things differently. I have not seen us think about these things differently. There is, at least in my judgment, a lack of awareness and appreciation of what we are doing.

Being on this committee and on the Homeland Security Committee, one of the challenges that we have coming up is with that structure, that schematic that we are going to place over all the funding that makes the most sense, and I am struggling with that. And I have heard different things from the four of you.

Let me ask this question and ask your response, and that is, it seems to me when we are trying to figure out how we husband our resources and place them toward the threat that is out there, that we ought to think about the kinds of attacks that would do almost permanent damage to the national psyche, such that we would be willing to give up our civil liberties?

I don't want to be on an airplane that is filled with fuel and goes into a high-rise, but let me ask this question: If we are saying now that through TSA and other things we are 97 percent protected against that event happening, but the cost of moving from 97 percent to 100 percent or 99.9 percent is 10X what we have already spent, would it not be wiser for us to spend that 10X in dealing with the nuclear and biological threat that is out there? Because my thought is that if we lose 3,000 people, it is going to be a terrible tragedy, it is going to shake this Nation. If we have a nuclear or biological attack in a major city that kills tens of thousands of people, renders the place uninhabitable for months, causes us to

make excruciating decisions we have never made before, isn't that a situation which is more likely to shake the foundations of our society and change us from who we are to something else? And if that be true, shouldn't we then be focusing our strategy on working against those things and, in the event we have a terrible tragedy like that, being able to sustain our society and have the protections that we won't change it?

Mr. CARAFANO. Specifically in DHS—I think it is a great question, and the reason why DHS doesn't have a good solution of the problem is not a budget issue. This is not a budget problem, this is an organizational problem.

If you have seen the report that the Heritage Foundation did in cooperation with the Center for Strategic and International Studies—but what we did is we looked at the organizational inefficiencies of DHS and the inability to be strategic in its thinking and in the way it manages its resources, and we found that that was really at the root of a lot of the problems of the Department, both in setting priorities and being efficient.

And so I think the answer to your question is not in the top line of the budget, the answer to your question is in the wiring diagram of DHS, the lack of—for example, I noticed Secretary for Policy and Planning that can really do that integrating function; the artificial distinctions in the system, for example, separating Customs and Border Patrol from Immigration and Customs enforcement. I think these kinds of organizational issues are the reason why we don't have better answers to your questions, not so much the way that—how much money is spent in the Department.

Mr. O'HANLON. Sir, I agree with your conceptual framework, but I would add chemical plants. I think these are extremely dangerous as well, at least the 500 to 1,000 that carry the most toxic materials within.

But I also would say, take your example and Randy's example of a biological attack. Well, what do you actually do robustly to protect against that? Very difficult. Obviously the Congress has generously funded Centers for Disease Control and Prevention (CDC), National Institutes of Health (NIH), and you try to work on antidotes in case the attack occurs; that is a necessary piece. But to protect a society from an attack when the materials already exist is very hard. And Randy has mentioned that we all know of use of the mail, other mechanisms like that can distribute this sort of thing very quickly. So it is a hard problem to get right.

In other words, it is true we should focus on the most threatening scenarios, but even once you agree to that point, it is somewhat difficult to figure out how to limit the problem thereafter. A robust way to do this, for example, would be to require every large building in this country to have reverse overpressure so that there is less of a likelihood of a biological agent being distributed through the air circulation system. That is a very challenging and economically difficult thing to do.

My colleague at Brookings, Peter Orszag, wants to use the insurance market, require people of a certain size infrastructure who own that kind of infrastructure to carry terrorism insurance, and let the terrorism insurance market encourage people, through graduated rate structures, to adopt sensible modernization, sensible

protection, but not legislated, not regulated, not pretend that we can figure out a single solution, because it would be hideously expensive.

Or hospital bed capacity; some people say we should have the ability to take in 10,000 victims in every major metropolitan area above and beyond the capacity that already exists, but building hospital bed capacity is one of the most expensive things you can do.

So I agree with your framework, but even once you establish that, the catastrophic attacks should be our greatest worry. It is still a very difficult problem; there are a lot of pieces you have to look at.

If I could just add one very quick point on forestructure, I will be very quick.

I agree with your point, I agree with Jim Carafano's point, we need—and I agree with Mr. Rumsfeld on this—we do need to privatize. Rumsfeld and Schoomaker do have a great plan to rebalance the Army, to change a lot of the positions. But even if you do that, you are adding people, in my opinion, too slowly for the current needs we have. And I think we have to also use the mechanism of trying to add more people, not a huge number, I am not talking about getting the Army back to its cold war size, but another 50,000, in that ballpark, I think makes sense. And it is not inordinately expensive compared to what we are spending in Iraq to begin with.

Mr. GAFFNEY. Congressman Lungren, when I talked about public attitudes, obviously that is a function of leadership, in part. I sense it when I talk with people about the kinds of problems we are focusing on today; there is a response.

In the absence of that kind of leadership, or when—and I am a great supporter of the administration, but I think it has done a great disservice when it has essentially suggested to the public that what they need to do for the war effort is to shop; it is completely inadequate, and I think, in fact, something of an insult.

I will just tell you that if you want to think about something that is going to change the psychology of the American people, try transforming the society from a 21st century one to an 18th century one instantaneously, which is, no kidding, what has been found is a distinct possibility; in fact, as I said a moment ago, being invited—given our present levels of vulnerability.

So if I were to suggest to you how to apply a schema or some level of prioritization, I would certainly say understanding this problem and fixing it ranks up there every bit as much as does the possibility that one of these nuclear weapons takes out a single city, or maybe even a couple of cities, or a biological attack affects the region. Those are terrible, horrible, scarring possibilities, but this is a threat against which we could do something if we act now.

If we have to do it after the fact, I am not sure what we do, to be honest with you. Rebuilding a 21st century society without electronics at our beck and call is a truly stupefyingly large challenge. So this requires—and I am delighted that you have both of these hats. I hope you will take this up with Congressman Cox and other members of that committee as well.

Colonel LARSEN. Sir, in response to your question, the issue of is 80 percent good enough for the screening at the airport? You know, in my opinion—there was this big scandal in the papers a couple of years ago about how 20 percent of the phony knives and guns got through in a test. Well, if I were a terrorist, that would tell me that there is an 80 percent chance I would get caught; that is not really a lucrative target. And then we have sky marshals on airplanes. We now have more armed pilots, by the way, than we do sky marshals. And then you have passengers like my 80-year-old mother who would attack anybody trying to get to the cockpit.

We have changed since 9/11, OK. So an 80 percent level might be adequate in the airport. And I don't want to get to 99 percent level because it is going to take me about an hour to get through screening instead of the 5 minutes that I go through now. So I think that is a good point.

The other one——

Mr. LUNGREN. I don't know what airport you are getting through in 5 minutes, but——

Colonel LARSEN. Reagan is great. Maybe I fly at the right times. Now, I don't know about California, but I bet the numbers are even larger. But we did a little study in Texas; there are 40,000 nurses in the State of Texas not working in health care today. Can you imagine if we put them in a reserve corps, like has been so successful in the military, a couple of weekends a year, training? So I don't care if it is a hurricane or it is a biological attack, one phone call could get you 40,000 healthcare responders. And you know what? That doesn't cost billions of dollars to do it. You said we have got to change how we think? Maybe we need a reserve corps for homeland security. I think it would be a good investment of my money.

Mr. ALLEN. Thank you, Mr. Chairman. Thank you all for being here today.

I wanted to deal with one subject of great concern to the area where I come from, and I think the country as a whole, and Mr. Gaffney had touched on it, and that is what is happening to shipbuilding.

It is true, I believe, that, as Mr. O'Hanlon said, you can deal with a number of planes, you can expand or contract the number of planes we have, but at some point ships cost a lot more, and we have a very serious industrial-base issue.

So I have looked at this budget. There are only four ships in the President's 2006 budget; there is $5.6 billion, that is a third less money, and half the number of ships than Congress appropriated last year. And when you look at what has happened under the Bush administration, you have got the overall DOD budget has gone up by 34 percent since 2001, the procurement budget by 25 percent, but new ship construction has gone down by 47 percent. And that risk—we are basically risking the Navy of the future to—I would say the Navy of the present, but I think it is really to the ongoing conflict in Iraq. Independent analysts have said for years that without a steady State construction rate of 7 to 10 ships a year, you simply can't stop the Navy from going down to 200 ships. And this budget simply ignores the problem and makes it a lot worse.

There are zero surface combatants in the 2006 budget the first time, zero. Bath Iron Works, in my district, has no ship in either 2006 or 2007. So that part of the defense budget, I think, is being seriously affected by what is going on in terms of the budgeting, and it looks to me as if the Navy and the Air Force are being drained to pay for the cost of the conflict in Iraq, which is $1 billion or $1.5 billion a week. When you look at that number, that is almost—that is virtually a destroyer a week. And all of the—I don't intend to reargue Iraq because we are there. So if you have comments on that, I would like to hear them.

I did want to just make a comment on some of the conversation earlier; two points. One is the money for first responders, it is one thing to say we are going to protect the country against another attack from Islamist terrorists, but we are probably not going to be successful doing that for over the next 10 or 20 years. Probably most people think we will get hit again at some point.

How we respond is very significant, and I just want to say that the first responder money that has flowed to my State has been used to markedly improve the local capacity to communicate with each other across municipal lines and county lines and across fire and police and EMTs. And it, frankly, I think, has improved our capacity to minimize the damage, the injury from such an attack.

And finally I would say this: We can conjure up in our minds all sorts of risks; we still remain the strongest country on Earth, the strongest militarily. And it does seem to be that while we can get our constituents all riled up, that they have a core common sense, and their common sense is that at all times and all places in the history of the world, there are risks, and we cannot simply protect against all of the risks that are out there without seriously undermining the communities in which we live, without undermining the opportunity for people to go ahead and live their lives and get the education and the jobs they need.

This budget, this defense budget, is only part of an overall budget, and it has—the overall budget that we are responsible for has to reflect the value and interests and concerns of people across the whole spectrum of their lives, and not just for, you know, all of the threats that are on some scale of possibility that we have to deal with.

Anyway, any comments? I would be glad to hear.

Mr. GAFFNEY. Well, I feel your pain, as they say, about the shipbuilding program, and particularly what it means for the handful of shipyards we still have left, and one of which, of course, is Bath Ironworks. It seems as though—at least those of us who have addressed this, all agree that left, right or center, this is an inadequate shipbuilding program. And more to the point, it sets the trajectory or actually continues the trajectory toward a wholly deficient inventory of capital ships.

And this is another point I would just urge be thought about as you think about the appropriate budget levels here. It is not just the numbers of ships that I think are wrong, it is probably also going to be the case of the kinds of ships. We are increasingly focusing on so-called brownwater ships, and I am for being able to fight in brown water, too; it is just that I think that as a maritime power, first and foremost, that is increasingly finding its ability to

use the seas, and to ensure that the freedom of navigation that we benefit so much from is assured will require us to have a continuing world-class bluewater fleet.

And again, my point, as I said in my testimony, Mr. Chairman, is that the object of these budgetary decisions, it seems to me, has to be how do you prevent a war, not just prevail in it once you get into one. And I can think of few things that are more likely to induce a war than the perception that we no longer have the ability, especially for many reasons that Michael O'Hanlon has talked about, finding ourselves tied down, finding ourselves inadequately equipped to deploy ground force to places that may go bad, and I think you have to count on them going bad in the future. It means that you have to have the power projection capabilities of your Navy, and, I would argue, of your Air Force, to give you some swing or stop-gap capacity, but better yet, to dissuade people from thinking that they want to pick a fight with you at the same time that you are dealing with Iraq or other contingencies. So I very much agree with that.

And I would add one point on the budget priorities. It certainly is true that we face other needs to the national budget and resources. The problem with war today is, as you all, I know, are aware, asymmetric capabilities, such as those we have been talking about today, enable people to do harm to us that would have been unimaginable even with conventional forces of great size in the past.

So, we have to be mindful of that reality as we are calculating what are we going to do to prevent it from happening here. I would just say to you, where I thought you were going with this, Mr. Allen, is that, you know, we don't want to have this be so great that we compromise our civil liberties in pursuit of trying to protect ourselves against them.

I fear if one or more of these bad things eventuates, that civil liberties will go over the side in a heartbeat, as the public demands greater protection. I think all of us want to prevent that from happening.

Mr. CARAFANO. Could I offer just one quick suggestion? I think we all agree none of us are sanguine about the Department of Defense's answer to shipbuilding. Hopefully—we have a Quadrennial Defense Review (QDR) coming up. Hopefully the QDR will provide better insight or perhaps a better plan on how they can deal with this in the future.

One recommendation that I made elsewhere that—we have a paper coming out from Heritage. It might be worth it to go back and really rethink this. Maybe it would be worthwhile to go back and repeat what we had in the first QDR, which was an independent review that was a national defense—it might be worthwhile to come back and have a national security review that was outside the Department of Defense, which, among its requirements, was to provide a second—a second opinion on the QDR, and it should be specifically to ask—to address critical issues. I certainly think shipbuilding would be a good candidate.

The other thing that we argued, you know, maybe it is time to implement something similar in the Homeland Security realm; that

the Department of Homeland Security should have a quadrennial security review.

One of the things this—I think a one-time national defense panel thing might do would be to look at both of those things, look at the QDR and look at Homeland Security's QSR, really see, you know, do these add up together, and provide a second independent assessment to the Congress of kind of where we are going in the long range in terms of resources and strategy and if there is a good match there.

Mr. ALLEN. Thank you very much.

Thank you, Mr. Chairman.

Mr. GARRETT. The gentleman from Texas Mr. Sessions.

Mr. SESSIONS. Thank you, Mr. Chairman.

Somewhat delayed, but it came on there, didn't it? Dan, thank you for your help.

Mr. Chairman, thank you so much for calling this hearing today, and, gentlemen, I appreciate not only what you have talked about to help us satisfy our goals today, to understand more clearly those policy issues related to the budget that we need to provide, as well as making sure we look at the future—future spending as well as the effects on the budget.

One of the questions that I have is directly related to the changes that the—I believe, the President and the Secretary have discussed about. I have not seen very succinct goals or time frames related to movement of troop activity in Europe as well as Korea.

I am interested in some discussion. I have heard what your recommendations are on homeland security, I have heard your recommendations about bluewater Navy. I have heard these other recommendations, but I have not heard that—specifically as it relates to what we should—Members should have in their mind about the gravity of this, as well as the implications on the budget, positive, negative, bringing people back home, moving people around, transferring the assets and resources, those sorts of things.

So I would welcome any opportunity that any of these panelists might have to answer that general question about bringing back a large number of people to the United States or taking them away from Europe and Korea.

Thank you.

Mr. O'HANLON. Thank you, Congressman. I will just quickly say that I am a fairly strong supporter of Secretary Rumsfeld's thinking on this point. I don't think it is quite as radically transformational of a repositioning as he sometimes wants to argue, but I think it makes good sense in the two theaters in question.

Just a couple of words on each one. In Korea, the South Koreans have gotten a lot stronger conventionally over the years. We are all obviously troubled by the North Korean nuclear program, as well as the continued amount of money they spend on their military. But in conventional terms, I think we can view the South Korean ground forces as providing much more of the bulwark against initial assault.

Whether it is two brigades or one brigade of the U.S. Army that is present in Korea at the outset of any crisis I don't think is nearly as important as the quality of the South Korean ground forces and the quality our air power, as well as our ability to reinforce rapidly

to bring to bear hundreds of thousands of troops should war occur. And also removing the forces that remain farther south on the peninsula is very good alliance management, even though Mr. Rumsfeld hasn't been given a lot of credit for his alliance management, diplomacy in general, and, in fact, his relations with the South Koreans have been fairly mediocre.

Still in substance I think he is right on this one, that we want to get our headquarters out of Seoul. We have an amount of territory almost the size of Central Park in downtown Seoul. This is just no longer appropriate for the density of that city. So I think, again, the logic of his plan is generally very sound.

Going to Germany, you know, we get a pretty good deal in Germany. The Germans, like the Japanese, like the Koreans, help us with some host nation support. They let us do a lot of training. But, of course, the Germans have placed restrictions on our training. It is a very densely populated country, compared, for example, with much of our country, including your State, where there are big open Army bases and more opportunity for robust training.

Most soldiers I know don't mind being in Germany. It is not a hardship post, but still it requires them to have a greater likelihood of redeploying from one place, let us say in Texas, over in Germany, back to New York. Their spouses can't keep jobs; their kids have to move around in school.

The Army, I think, has a good program to try to keep people's life in more than one geographic zone for a longer period of time, which I support. I think the redeployment from Germany can help. So I don't see it as a big money saver. I don't see it as a radically transformational strategic concept, but I think in regard to both Germany and Korea, it makes generally good sense.

Mr. SESSIONS. And you believe it is wise that the Secretary move forward on these plans?

Mr. O'HANLON. Yes, because I think it has to be linked to the base closure rounds. So we have to have some sense of what we are doing abroad.

Mr. SESSIONS. I do agree with that aspect, too. Thank you.

Colonel LARSEN. As a retired military pilot, the one comment I would make is the terrible problems of training in Germany at—now when we can't fly at night. When we deployed the Apaches down to the war in Bosnia, and they had some accidents the first day—that helicopter is designed to fly at night. They had to train them how to fly at night. That helicopter is designed to fly at night and kill tanks, but they weren't doing that in Germany. I find that is true for a lot of fighter pilots. So the training there is not sufficient from that operational perspective.

Mr. CARAFANO. I agree with that. I am perhaps just a little frustrated that we are not moving faster. There are enormous opportunity costs involved in all of this. Every day we delay it, we pay for the additional inefficiencies, and we fail to gain the benefits of doing that. So I would really think that we could move as expeditiously as possible on this. I do agree with Mike.

Also, that moving in the background, it is also a good time to do it while we are involved in Iraq, because much as we did the drawdown in Europe, that we used that opportunity to make a lot of our base realignment decisions overseas and gain the efficiencies of not

sending the guy back to Schweinfurt if eventually he is going to go back to Ft. Hood—anyway, that we take the opportunity, while we are in transition in the Army, in terms of modularity, while we are in transition in terms of moving forces around to meet needs in Iraq and Afghanistan, that we use these opportunities to implement whatever force structure changes we need to do.

So we should work—I think those should be on the fast track, and I think that would—in the end has actually saved money, perhaps more than just the restructuring itself.

Mr. GAFFNEY. I would just add very quickly, it seems to me that if you can do this in a way that preserves your ability to project power quickly, that is the critical thing. I mean, it has not always worked brilliantly, and there certainly are restrictions. We haven't seen restrictions, I think, on deployment so much as on training. But having the ability—and I think this is built into the Pentagon's plan—to ensure whether you are keeping a skeletal force in Germany or you are moving them even farther east, they remain available to you to go where you need them on short notice, which is the big advantage of having them there, rather than having them based in CONUS.

Mr. SESSIONS. Good.

Mr. GAFFNEY. That and getting their families back.

Mr. SESSIONS. I think it has to do not only with the quality of life, but the message that we send vis-a-vis the relationship with these other countries. But in particular, I am concerned about how that frees up, so to speak, the demands and the needs that we have from a growing perspective. So I appreciate that.

I yield back.

Mr. GARRETT. The gentleman yields back.

Mr. Crenshaw.

Mr. CRENSHAW. Could I ask you—I apologize for not being here, being in another meeting, but I understand there was a discussion about, or at least mention of, the administration's budget reducing the number of aircraft carriers from 12 to 11, and I heard somebody say, if you build an aircraft carrier, that is good for national defense; you buy a fire truck, that is not as broad.

So I guess my question is if, as I understand it, going from 12 to 11, which I find a little bit amazing, and we were in the middle of Afghanistan and in the middle of Iraq—the last time there was a quadrennial defense review, they said we need 12 aircraft carriers. Admiral Clark was quoted as saying we really need 15, but the budget constraints only allow us to have 12. So, it seems clear this is kind of a budget-driven decision.

As I understand it, there were $60 billion in cuts, they kind of looked for it in the Department of Defense, and, again, as I understand it, it is like a $1.2 billion savings over 5 years when you get rid of 1 aircraft carrier, go from 12 to 11. So it seems to me that that is kind of the smallest amount of savings, and yet poses the greatest strategic risk. I mean, as we reduce our footprint around the world, it seems to me we need more platforms so we don't have to ask people's permission to go across their borders, et cetera.

So I guess my question is, two-fold. One is do you know how they arrive at the number of $1.2 billion savings when you retire an aircraft carrier? That saves $1.2 billion over 5 years; I don't know how

they get that number. Number two, does that strike you, as it does me, it is a small amount of savings for a huge impact on our national security and force structure? So could you maybe comment on those two questions?

Mr. GAFFNEY. Well, I spoke to this in my prepared testimony and abbreviated it a little bit, but I would be happy to elaborate.

Obviously, if you do decide that we are going to fight only the kinds of wars we are in at the moment from here on out, you may tailor your forces somewhat differently than if you are going to fight—I hope not, but we might—somebody like China in the future.

It does seem to me, under foreseeable circumstances at least, that irrespective of whether you are going to fight, you know, the al Qaeda plus state sponsors of terror community, or you are going to go after so-called strategic peer competitors, you want aircraft carriers. You want the kind of flexibility that they offer, and most especially, as I was saying a moment ago, the kind of power projection opportunities that they afford you.

As best I can tell, you are absolutely right. This is purely driven by the budget. This is not—there is not a strategic logic to it. There is not a powerful argument even being advanced on the strategic level for it.

Worse, it sounds as though from, again, the trends that we are seeing, it looks as though they think they may get by with nine aircraft carrier battle groups in the future, which, as I said in my testimony, I think is simply incompatible with the kind of global presence and power projection requirements we are going to need to have.

How they arrived at the amount of savings, my sense is that the logic of this has gotten somewhat muddled, to put it charitably, by some of the changes that the Navy has been trying to effect in terms of what used to be called hot bunking—they now have a fancier term for it, something swapping, I can't remember what it is—but relying on fewer days out of service due to remanning a ship, postponing or scrapping altogether, in some cases, overhauls and maintenance. You can do that for a while, but none of those practices, I think, has been done with a view to excessive maintenance or excessive manning. They have been done because they have traditionally been established to be the kind of activities that are required to support these very capital-intensive ships and manpower-intensive ships over periods of time.

So I think I very much agree with the concerns you are expressing. I think it is neither penny wise nor pound sensible, and I think we will find ourselves, when the next thing comes up, whether it is a tsunami or whether it is some other act of God or whether it is some conflict, let alone a major conflagration, doing what we have done since the invention of the carrier, which is asking where are they, and why don't we have more.

Mr. CRENSHAW. I guess, too, wouldn't you think—I mean, we were talking a lot about assets, et cetera, airplanes. You know, you can slow down procurement, build one less airplane this year and catch up next year, but if you don't have 12 aircraft carriers, and you take one out of service, it seems like that is fairly irreversible.

You don't kind of turn that around. So it seems to me we ought to go slow, and I appreciate your comments.

Anybody else have anything they want to say? Sir?

Mr. O'HANLON. Yes, sir. Well, I will be the skeptic. Although I agree, Congressman, enough with the points you and Frank make that I would not want to go to nine myself, but I do think we can go to 11. I will say why.

One is in brief, the Mediterranean theater, I think, is a theater we no longer need to worry about having carriers deployed in much. We used to. That was one of the drivers for 15 when Admiral Clark was talking about that kind of number.

Secondly, even though the Persian Gulf is clearly still a dangerous environment, the Navy actually has benefited from the overthrow of Hussein in a way the Army and Marine Corps have not yet. That theater is now at least temporarily—and I grant one has to prognosticate about the, future too, but at least temporarily it is more stable.

Third, I think Admiral Clark's concept of surging carriers for crises, for exercises, but not always maintaining the same level of forward deployment as we have in the past is generally a smart one. It can't go so far for reasons that Frank Gaffney just mentioned as to lead you to a very small carrier fleet. There are limits on how far you can push that logic. But I think there is enough potential there that if you want to get some savings to be able to build more ships of differing kinds and achieve other purposes.

And we were talking with Mr. Allen about the lack of destroyers and so forth. I think you do have to look for smart economies. Now I personally would probably want to keep a carrier based in Florida and perhaps put one less in Newport or one less in San Diego, in that region, because I do think there is a benefit to the diversification of our home porting for protecting our fleet. But I still think when I look at the numbers, 12 to 11 is something I can live with. Again, there is no reason to do it except to save money. That is, in this environment, a fairly important reason at least to consider it.

Mr. CRENSHAW. Thank you.

Mr. GAFFNEY. Mr. Chairman, could I ask your indulgence just on a quick point?

Mr. GARRETT. Sure.

Mr. GAFFNEY. I find it very difficult to countenance that the area of the Persian Gulf is getting more stable. We are looking at an Iran that is becoming more dangerous by the day. If we are lucky, we will maintain a stable, peaceable, free and pro-Western Iraq as something of a counterweight. It may or may not involve our having forces there.

But what is happening on the Iranian side and what may well portend in the Saudi side of the Persian Gulf makes it anything but an American lake. And I don't want to say that Mike suggested that, but it certainly sounds as though if you are not concerned about having American carriers in the Med where they can get into that region quickly if they have to, assuming the Egyptians will let us come through the canal, or having people adequately staffed so that you can—or carriers adequately staffed so that you can surge into the Gulf or into the Arabian Sea as need be, you know, I think

you are making a mistake. Frankly, if the CNO were here, I think he would say we were making a mistake, if pressed. Other than budgetary constraints, I don't think he would do it.

The other point is just to go back to something Mr. Allen said. I am sure you are keenly aware of this. The industrial base is in jeopardy. We stop building ships for a year or two, and it is not just that the shipyards themselves are in trouble, but that entire tier upon tier upon tier of suppliers are gone.

So it is—you ask the question, how fast do you turn around a decision to get rid of a carrier? Well, if it is turned around by building another one, it is not just going to be the 6 years or 7 years or 8 years it takes to build one, it is going to be going back and requalifying, particularly nuclear suppliers, which is a very exacting business, who may not be there anymore, especially if compounded by the few number of nuclear-powered submarines that we are building.

Which brings me back just finally to the point that I made in my opening remarks. We look, I think, at the moment to be unduly reliant upon dubious sources of supply. And we keep doing this to very, very important industrial bases like the shipbuilding base, and that problem will only become more acute. Then a lot of these other issues that we have talked about here in the course of the day will sort of fall behind the way, because there isn't going to be much you can do about it. You can't buy, necessarily, somebody's supply if they are not friendly toward you, or they find it inexpedient to give you the supply when you need it. You may not be able to ramp up your production capability to meet a surge need.

So these are things that I just entreat this committee, and certainly those of you who have other responsibilities on other committees to be taking a hard look at as you make these important budgetary decisions.

Mr. GARRETT. Thank you. Maybe I will just use the prerogative of the Chair, then, to throw out one final question for the day, and that is since we are sitting on the Budget Committee—and it goes to issues you have raised on that point on the past, what we are looking at in the future in the budget that we will be considering for the 2006 operating year as far as the Pentagon is concerned on so many of the programs that you have talked about. My understanding is really began back in 2004 when someone put pen to paper and said this is what we think we need as far as our needs at this point in time, it only gets through the process to where we are today, 2 years later.

So going to the overall perspective, as far as reforming our budgetary process, reforming the procurement process within the Pentagon, how do you address those issues relative to the point that Frank raised just right now as well?

Mr. GAFFNEY. Well, I guess this falls to me to explain myself. Look, you are absolutely right. There are long lead times. This quadrennial defense review, for example, is now in full gear, but it has been in preparation since the last one stopped. Your processes here, you know, are increasingly ponderous and have to look out multiple years, not just the one immediately at hand.

I don't think there is any easy answer to this, except to say that we have just got to hope that people who we elect are available to

look over the horizon and anticipate some of the problems that are clearly coming, even though perhaps some of our leaders don't want to talk about them at the moment, or even though it is impolitic to worry about them because they are friends of ours in the war on terror, or for some other reason.

But I really think that you are onto something in that thinking these things through in a multiyear time frame, something I think Jim especially was talking about, the long-term budget implications of some of our decisions, is critical if we are going to maintain the defense we need and avoid getting into the kind of death spiral that we have been in the past with these things that have the gotten wildly out of sync, the threat on the one hand and our budget assignments on the other.

Colonel LARSEN. If I could comment on homeland security on that. At least we had the mechanism within DOD, we have had for a long time, for us to build the 5-year plan, the budget what we are going to do. Nothing like that exists for securing our American homeland, nothing. So how can we have a strategic perspective? As was noted here in the opening remarks, only about 50 percent of the funding for homeland security even goes to DHS. So who is in charge of protecting this Nation against a biological attack, which I think most of us here on this panel agree is a rather likely thing in the next 5, 10 years? Who is in charge? No one. Who is building the plan? No one.

Mr. CARAFANO. I will just throw out an idea that we have thrown out before, which is totally heretical, which is perhaps the notion of going to a biennial budget cycle and alternating the homeland security budget and defense budget so we go to a 2-year cycle rather than a 1-year cycle, take a little more thoughtful look at these issues, spend a little more time on oversight, and consider them in alternate years rather than trying to have the Congress eat both of them every year.

Mr. O'HANLON. I will just add one word, which is whether this idea flies or the not, I definitely like Jay's earlier idea of a quadrennial review for the Department of Homeland Security and all players involved in the homeland security mission. I think those reviews really have been very useful in the defense community, and we have been doing them now for quite a while. They get a little bit old in some ways, but they are always useful, and I think the DHS mission definitely needs them now.

Mr. GARRETT. Well, gentlemen, I certainly appreciate you coming, your time and your testimony. I think someone said in their opening remarks that what we deal with, however, as far as the defense of this Nation and the security of the people, the American people, is first and foremost the responsibility of this Congress and this administration, and it makes everything else we do pale in comparison.

I agree with what Members have already said, that we look forward when we have someone from the administration to be able to come, and certainly for myself at least have highlighted some questions that we will be able to bring before the administration. So I thank you for that.

I also would want to say, I ask unanimous consent that Members be allowed 7 days to submit statements or questions for the record.

Mr. GARRETT. Without objection, we are adjourned.
[Whereupon, at 12:20 p.m., the committee was adjourned.]

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