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**NATIONAL DEFENSE PANEL ASSESSMENT
OF THE 2014 QUADRENNIAL
DEFENSE REVIEW**

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

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**NATIONAL DEFENSE PANEL ASSESSMENT OF THE 2014
QUADRENNIAL DEFENSE REVIEW**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Tuesday, December 2, 2014.

The committee met, pursuant to call, at 10:03 a.m., in room 2118, Rayburn House Office Building, Hon. Howard P. “Buck” McKeon (chairman of the committee) presiding.

**OPENING STATEMENT OF HON. HOWARD P. “BUCK” MCKEON,
A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COM-
MITTEE ON ARMED SERVICES**

The CHAIRMAN. Committee will come to order.

Good morning, ladies and gentlemen.

The committee meets to receive testimony on the National Defense Panel, the Quadrennial Defense Review.

Joining us today are the Honorable Eric Edelman, Honorable Michèle Flournoy. Both of these distinguished witnesses are NDP [National Defense Panel] panelists and both have served as Under Secretaries of Defense for Policy. The panel co-chairmen, Dr. William Perry and General John Abizaid, were unable to join us today, so we really appreciate Eric and Michèle testifying on their behalf. And I just wanted to tell you thank you.

This will be my last hearing, and I want to thank you for your many, many years of service and your devotion to our great Nation. You have done yeoman’s work, and thank you for being here today.

The NDP has produced an excellent report, and I encourage all of my colleagues and the American public to read it. It is not insignificant that the report is a consensus, bipartisan product. For those that advocate for a smaller military and U.S. policy of retrenchment, the panel provides a persuasive reminder that our military hard power and our resolve to use that power, remains central to an effective foreign policy, and it reminds us that a strong military underpins all other tools, from diplomatic to economic, that our Nation has for global influence. However, this strength is in jeopardy. U.S. military superiority is no longer a given. More continues to be demanded of our Armed Forces, yet their size and their resources are declining.

The panel assessed that massive defense cuts are putting our military at high risk in the near term and on a path to a hollow force. I just want to remind everybody that it was just a few months ago that Admiral Winnefeld, in—sitting where you are sitting today, said that if sequestration comes back into effect, and we reminded him it is the law, it just took a 2-year hiatus, but it is in full effect, but he said if it comes back into effect, that it will

not hollow out our force, it will break the force. That is really, really serious and I think we really need to be serious about what we are doing here.

The challenge before us is how to leverage the panel's work to build a broader consensus for reversing the cuts to defense and the damage that has been done to our national security and standing in the world.

During my tenure as chairman, I have held numerous hearings on the consequences of sequestration. There is no higher priority for our military than ensuring they have the resources to go in fully ready and equipped for the missions that they are asked to do. We must address sequestration.

While this challenge will transition to my successor, and by the way, Mr. Thornberry has been voted on by our conference and will be the chairman of the committee going forward in the next few Congresses, rest assured that I will remain a loud and active voice for a capable, ready Armed Forces.

I won't be in Congress, but I am not leaving the fight. I will also remain a tireless advocate for our men and women in uniform. Serving as chairman of this committee has been the great honor of my career. I have learned a tremendous amount about our military and the sacrifices that so many men and women in uniform make to keep our country safe. I have been humbled by the many soldiers, sailors, airmen, and marines whom I have met over the years.

I am thankful for the support of Adam Smith. We have had a great partnership now for 6 years? Almost 6 years. I am thankful for his support, and it's not that he says—every time I suggest something, he hasn't always said, that is a wonderful idea, Mr. Chairman, but he has always been honest and expressed his opinions, and once the votes have been counted, he has supported the committee on everything.

And there are times, you know, when we get on the "Big Four," he expresses his opinion, but he also strongly supports the position that the committee has taken. And I commend you, Adam, for your integrity and for the—your intelligence, for the ability you bring to this committee.

I want to thank all of my colleagues on both sides of the aisle. I am appreciative of the association that we have had. It has been a—it has been a great experience for me.

I want to thank our staff. They have done yeoman's work. We will be filing a bill later today, and they have done—done great, great work to get us to this point.

I want to thank especially our subcommittee chairs and our ranking members for the work that they have done to get us to this point.

And last but not least, I want to thank my vice chairman, the incoming chairman of the committee. And they gave me two gavels. I can give one to him and I can hold one for a couple more days. So I will give him the newer one.

Mr. THORNBERRY. Thank you.

The CHAIRMAN. And the nice note that you sent me the other day, I really appreciate that. Thank you very much.

It has been a real, a real honor to work with you these last several years. Twenty, I think, we have been sitting next to each other on this committee. So thank you all very much.

The CHAIRMAN. And with that, Mr. Smith.

STATEMENT OF HON. ADAM SMITH, A REPRESENTATIVE FROM WASHINGTON, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SMITH. Thank you, Mr. Chairman.

Well, first of all, I want to thank you for the great working relationship we have had during your time as chairman. This committee prides itself on being bipartisan and being focused on the work that we all know is so important that we get done.

And as you said, it is not that we don't have differences, we do, any legislative body would, but I think—well, it's getting to the point where it is truly unique in this Congress to have a body that works the way our committee does. Which is, we understand we have to get a product done, so we will disagree, we will move forward, we will compromise, but at the end of the day, we will—you know, we will get the job done and do our job as a committee.

And I think your leadership has helped make that possible. You have followed right along in a long line of excellent chairmen who we see on the walls around us who all understood that that was the priority, work in a bipartisan way to get the job done. And it has been a great working relationship, and I will miss you.

I will be very happy to have Mr. Thornberry take your seat. It has been great working with you and I appreciate your tremendous leadership and all the work you have done for this committee. So thank you, and thank you for your kind words as well.

And I thank our panelists, Ms. Flournoy and Mr. Edelman, from the National Defense Panel. This is and has been for a number of years now a very difficult time in national security and defense policy. We have difficult choices to make, and I think the one thing that we have gotten very, very good at over the course of the last three and a half years is trying to figure out ways to not make them and to wait as long as is humanly possible. I don't think that is good strategy.

Obviously we understand the challenges of the Budget Control Act and we understand the challenges of the—I am sorry. I had hip surgery recently, so leaning forward is not a good thing. I will try to talk loud enough for the microphone to pick me up.

Sequestration obviously would have a devastating impact on the defense budget and on the discretionary budget in general, but even absent sequestration, if you go back 4 years and look at what we were projecting to spend on defense over the course of the next decade, there is—we are not going to even come close to that.

So all these plans, all these projects we had for the size of the force, for the equipment we were going to build, for the missions we were going to be ready for, it all has to change, because we are not going to have the money we thought we were going to have. Unfortunately, time and time again we have avoided making those decisions.

So first of all, yes, sequestration needs to go away. Personally I would vote to eliminate it tomorrow and be done with it. When you

go back to 2011 when the Budget Control Act was passed and you look at what the projected deficit was supposed to be for this year, we have achieved more savings than the Budget Control Act called for just through the natural flow of the economy, primarily, so, you know, we are in a better position budget deficit-wise than we thought we were going to be in with the Budget Control Act.

So I would be in favor of simply getting rid of it. The impact that it is having on the discretionary budget, and again, not just defense, I think is very, very negative for this country; but more than that, we need to look out at least 5 years and come up with a plan, a realistic plan within the budget that is coming at us.

Now, the Pentagon has sent over a long list of ideas for how they would like to start saving money starting this year and then really picking up speed in 2016, and we have rejected them all. There is no BRAC [Base Closure and Realignment], the reductions in things like the A-10 and the cruisers and amphibious ships that we wanted to set aside, the cuts in personnel costs have been rejected writ large by this body, and what that does is that has a devastating impact on readiness, because the Pentagon is not able to make the changes they would like to make, they have got to cut at the place of last resort, which is train less, don't repair equipment that needs to be repaired, buy less fuel, buy less ammunition for training and so what we wind up with is a force that is not trained for the mission that we are asking it to do.

So—and I know you know this, we have had this conversation before with both of you, but, you know, I would be interested in your vision for, you know, what does that look like? Next 5 years, what decisions should we make in order to start saving the money we need to save instead of what I think the congressional position has been, which is let's just close our eyes and hope really strongly that the money appears.

Not going to appear. We have to start making decisions. And if the decisions the Pentagon laid out, you know, on the Guard and Reserve changes, on getting rid of the A-10 and on and on, if those aren't the decisions that this committee would like to make, well, great, tell us what are, give us the alternatives in terms of cutting spending so that we can have a budget that makes sense and so that we can protect readiness.

So a very important subject. I look forward to the conversation. Again, I thank the chairman for his leadership. It has been great serving with you, Buck. I yield back.

Mr. THORNBERRY. Mr. Chairman, I ask unanimous consent for about 2 minutes.

The CHAIRMAN. To defend yourself.

Mr. THORNBERRY. To defend myself, yes, sir.

And I just want to say, Mr. Chairman, that I think it is particularly appropriate to have these witnesses and this topic as your last hearing, because they, I think, encapsulate the challenging security environment which you have had to deal under your leadership.

But I think I can speak for all members on both sides of the aisle of this committee, when I say we appreciate not only the substantive contributions you have made to the country's security in your leadership, but also the way in which you have exercised lead-

ership. Your cheerful countenance and your fairness to all members, even when there were disagreements, is something that all of us can learn from.

So we will all have more of a chance to talk about your leadership when the bill is on the floor, but I just want to take this moment as your last hearing in the committee, where many—where most of us have spent so many hours over the past several years, to say thank you for your leadership and the example you have set, it is something that we can all learn from, and we look forward to your continuing strong voice on these issues.

I yield back.

The CHAIRMAN. My funeral is going to be anti-climactic.

I would like to recognize our former colleague, Jim Marshall. It is good to have you here with us today, Jim. We really enjoyed serving with you over the years, and it is good to have you—have you here today.

Now let's turn to our panelists. Who is starting? Mr. Edelman.

STATEMENT OF HON. ERIC S. EDELMAN, PANELIST, NATIONAL DEFENSE PANEL, FORMER UNDER SECRETARY OF DEFENSE FOR POLICY

Mr. EDELMAN. Mr. Chairman, at the risk of over-egging the omelet here, let me add my voice to those who have already thanked you for your service to this committee and to the Nation. As someone who has had the chance to work with you, I have, you know, watched this from the perspective outside the Congress, and I agree with all of the things that your colleagues have said about your leadership.

In particular, I would like to thank you for the confidence you have reposed in me twice by asking me to serve on the Independent Defense Panel to review the QDR [Quadrennial Defense Review] 4 years ago and then the National Defense Panel this time. So thank you very much for that.

And I am glad you recognized our colleague on the panel and your former colleague on this committee, Jim Marshall. And I hope Jim will feel free to add his voice to whatever Michèle and I have to say, because he was a very, very active and important part of the panel's deliberations.

We benefited, I think, on this panel from enormously good leadership from Secretary Perry and General Abizaid, who unfortunately, as you noted, could not be here today. They in turn asked Secretary Flournoy and me to take charge of the drafting of this report, pulling it all together for the members of the panel, but we had a lot of help, notably from Jim Marshall and Senator Talent, but also from the staff at our institutional home at the U.S. Institute of Peace, and I would like to recognize them.

Some of them are here today, too. Paul Hughes, who was our executive director; Tom Bowditch, who was the chief writer and made our prose all that much better; Hannah Burch, Troy Stoner, and there are others who may be here that I didn't notice, and I apologize in advance if I have skipped anyone.

We had an opportunity as a panel to spend a bit of time, because the legislation this time enabled us to begin our work before the QDR was actually even written, and so we spent quite a bit of time

working with the Department, with Secretary Hagel, and trying to understand how the Department was meeting the challenges it faces from an extremely complex and volatile international security environment as well as the budgetary difficulties that Mr. Smith and you, Mr. Chairman, have already described.

I think it was our sense from the outset that what our chairman—co-chairman, General Abizaid, suggested in our first meeting, that the Nation was facing what he called accumulating strategic risk, was getting worse as we continued our deliberations. We began before Russia had invaded and annexed Crimea and destabilized eastern Ukraine. We began our deliberations before the Iraqi army collapsed and we faced the beginnings of a terrorist state in Syria and Iraq.

So all of these things, I think, weighed on our deliberations, as well as the difficulty that we understood our colleagues in the Department of Defense were facing because of the budget uncertainties with which they had to contend because of the Budget Control Act. It is extremely difficult to have a strategy and to execute it when you have no idea what budget you are actually going to be dealing with, and when you have to face the prospect of not only taking cuts, but having no flexibility in the manner in which you distribute those cuts.

So our conclusions, which Secretary Flournoy and I tried to encapsulate in an op-ed that we wrote for The Washington Post shortly after the report was issued, suggested, among other things, that, number one, this was a very important strategic misstep, that is, sequestration of the defense budget for the United States, that needed to be reversed.

Second, that given the various challenges we saw around the world, given the high use rates of our force over the last decade fighting two wars, that it made sense to return to the budget that was proposed by Secretary Gates in fiscal year 2012, the last time the Department had been able to actually do a strategy-driven budget rather than a budget-driven strategy. And in that regard, we called for return to that top line, but we also had other recommendations, I know Secretary Flournoy will want to talk about some of them that addressed the issues that Mr. Smith raised about giving the Department of Defense the flexibility and the tools to manage itself both in the current environment and into the future.

We also discussed the force planning and force sizing construct that the Department was using, and suggested a variation because of the incredible challenges that we saw developing.

And, in short, we produced a report which we hope will be useful to all of you members of the committee and to your colleagues in the Congress as they think about the national security challenges that we face.

We hope the report will continue to inform discussion about defense strategy. We hope that candidates in the 2016 cycle for President will be asked their views of our recommendations, and in that sense, we hope that what you charged us to do will continue on as a kind of living document.

Let me stop there and turn the floor over to my colleague.

[The joint prepared statement of Mr. Edelman and Ms. Flournoy can be found in the Appendix on page 43.]

STATEMENT OF HON. MICHÈLE FLOURNOY, PANELIST, NATIONAL DEFENSE PANEL, FORMER UNDER SECRETARY OF DEFENSE FOR POLICY

Ms. FLOURNOY. If I may, Mr. Chairman, let me just begin by wishing you fair winds and following seas as you depart, and thanking you for your leadership as chairman of this committee.

I just wanted to underscore a few of the bottom lines of the National Defense Panel report. The first is our assessment of the security environment, that we do face a very complex, volatile situation today with everything from ISIL [Islamic State of Iraq and the Levant], to Russian resurgence, to the rise of new powers in Asia-Pacific that challenge the international order, and so forth.

Our assessment is that, that environment is going to become even more daunting over time, and so we need to be exerting U.S. leadership and we need a robust military to ensure that we can try to deter conflict, reassure allies, shape the environment and, when necessary, defeat aggression.

In that context, sequestration, in our view, has become a national security issue. I would personally go so far as—this goes a little bit beyond where the report is, but I would call it a threat to national security.

Because the inflexibility of sequestration combined with the BCA levels, the Budget Control Act levels, means that the Department of Defense does not have either the funding or the flexibility to be able to field the military that we need to protect and advance this nation's interests now and in the future, and so we argue in the report for lifting sequestration and lifting the levels of defense spending as a matter of national security.

We also argue for a very aggressive approach to reform, and that includes giving whoever the next Secretary is, the kinds of authorities that previous Secretaries were given to manage periods of challenge and drawdown. When Bill Perry had to manage the post-Cold War drawdown, he was given the authority for base realignment and closure.

Today we have 24 percent excess infrastructure that is draining money away from readiness, modernization, and other priorities. Perry was given RIF, reduction in force, authority to be able to reshape his civilian workforce, rightsize that force for the future. He was given meaningful levels of voluntary separation incentive pay so that he could affect the calculus of those contemplating early retirement. Those levels have not changed since the 1990s.

We also need compensation reform. And this is not about taking benefits away. It is about providing better health care at lower cost, which is quite possible if the Department of Defense were to adopt best practices from the private sector. It is about keeping faith with all who serve, not just those who make it to 20 years. So there is a lot of room for reform, and that reform is also critical to ensuring that our taxpayer dollars go to the right priorities in defense.

A third key priority was addressing the growing readiness problem. We are already at a place where should some unforeseen con-

tingency occur, we would not be as ready as we need to be, and that lack of readiness, meaning people who are trained, units that are fully manned, equipped, and so forth, could translate into slower response times and ultimately greater risk, greater casualties. That is not acceptable. That is not a responsible position. That needs to be addressed immediately.

Modernization. Each of the services has had to gouge their modernization plans, upsetting investment, programs, timelines, and the truth is at some point we are going to have to pay more to make those programs well and to invest in the future. It is very critical that we invest now in the research and development, the prototyping and the procurement that we are going to need for several Presidents on, you know, to be where we need to be in 20 years time or more, as some of the challenges we face increase.

And lastly, we are cutting force structure below where the strategy requires. When you look at the Air Force, 188 squadrons coming out of the Cold War down to 47 planned. One look at the strategy and ask ourselves, is that enough to support what the strategy says? The Navy coming down to under 300 ships and so forth.

So, you know, I would say that we are now, and even more into the future, at—you know, we are not keeping faith with the force in terms of giving them the readiness, the equipment, the support, the capacity, and the capability they need now and in a more daunting future. And I don't think that this Congress has fully taken on the responsibility to look that reality in the face and do something about it.

So I would just challenge you all to challenge your colleagues to—because I know the people in this committee understand this, but this has got to be addressed. We can't wait 2 years, we can't wait 5 years, we certainly can't let sequestration run for the full 10 years and then try to fix it. The risk is too high.

[The joint prepared statement of Ms. Flournoy and Mr. Edelman can be found in the Appendix on page 43.]

The CHAIRMAN. Thank you very much.

Very, very important issues that you covered. And the last point that you made about this committee understands, we have the benefit of the hearings and hearing what is going on.

The way the Congress is set up, everybody is busy and people on other committees are busy studying those issues and they can't be totally up to date on all of the things that face our committee. So it is up to us really to educate them and our leadership, because I guess we just kind of take for granted that everybody knows the same things, and they—and they really don't.

I had a Member come up to me after I was talking about some cuts not too long ago, and he said, I didn't realize we had cut that much. So it is an important thing for us to do. And I know we have made attempts, we have tried to involve other Members, invite them, Members not on the committee, into some things, but it is something we will have to just keep working at, work harder at, I guess.

The QDR is intended to provide a force-sizing product that describes how the Pentagon will shape and size the military to meet future challenges. Starting with the 1993 Bottom-Up Review, the Department of Defense adopted a two-war planning construct, re-

quiring that our military be sized to fight two major regional conflicts that occurred nearly simultaneously.

This has been largely maintained through successive QDRs. It is interesting, we are probably much closer to needing that now than we did in 1993; however, the 2014 QDR appears to diverge from this two-war construct by suggesting that the United States will no longer be able to defeat two aggressors simultaneously. The NDP, on the other hand, recommends a stronger and more explicit force-sizing construct.

In your opinion, what is driving such a policy change in the QDR and why does the panel recommend a different force-sizing construct?

Ms. FLOURNOY. So I think that my understanding of the QDR construct is that it is really looking at one multi-phase campaign that would include, you know, a full scale not only a defeat of aggression, but a post-construct reconstruction type of campaign, so soup to nuts, if you will.

And that the second is seen as more of a defeat and roll back aggression, but not necessarily an occupation. And I think part of that is informed by the scenarios that we see around the world, and I think part of it is informed by the resource constraints that are there.

When we looked at this from a strategy perspective in the NDP, you know, we saw a situation that even when the U.S. was fully engaged in one major regional conflict, because we are a global power with global interests, we have got to be able to deter and, if necessary, roll back or defeat aggression in multiple other areas at the same time if necessary while maintaining homeland security and critical operations globally like counterterrorism.

So we defined a somewhat higher bar based on our assessment of the security environment and our projection, our understanding of what the future is likely to look like.

Mr. EDELMAN. I would only add, Mr. Chairman, that we had in mind that we could easily find ourselves in a situation—given the uncertainties in northern Africa, the spread of terrorist groups in the Trans Sahel, the uncertainties in the Levant because of ISIL, continued problems in the Persian Gulf with Iran, North Korea, et cetera—that we could be involved in a major conflict, but then have multiple different conflicts to either deter or have to engage military force with in overlapping both geographic and temporal frames, and I think that is why we felt we wanted to be explicit about that and actually in the report urged that the Department go back and see what it would take to actually execute that somewhat more stressful force-sizing construct.

The CHAIRMAN. Thank you.

Ms. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

And I certainly want to echo Mr. Smith's acknowledgement, Mr. McKeon, of your great leadership on the committee, and also welcome Mr. Thornberry, of course, and join in here with Mr. Smith as well as thanking you all for being here today.

Secretary Flournoy, in your statement, you mentioned the need to not only provide relief to the Pentagon from recent budget cuts, but to remove the limitations on their ability to make judicious

cuts where they are most needed, and you spoke specifically about the, quote, “modest cuts to the rate of growth and already generous military compensation and benefits” unquote. And we certainly know that this is a very tough issue. It is why people don’t really like serving on the personnel committee, frankly, because it is very hard, and, in fact, the committee rejected the areas of cuts to at least look at in this last year, and hopefully moving forward, we can at least begin to acknowledge those and move forward.

So, I wonder if you could elaborate more. You mentioned one or two, I think, in the cost of health care, but could you elaborate on the specific programs that you feel could endure such reductions?

Ms. FLOURNOY. Well, I start from the premise that, you know, we absolutely need to keep faith with those who serve, given their service and their sacrifice, but we need to define—we need to really examine what do we mean by keeping faith.

Keeping faith certainly means making good on whatever contractual promises we made with regard to compensation and benefits. So, I think as we talk about reform, we need to start with the premise that we are grandfathering in any, you know, contractual obligations that have already been made.

But we also need to define it more broadly. I mean, keeping faith also includes ensuring that when people go into harm’s way, they have the training they need, they have had the flying hours they need, they have had the tank drive miles they need, they have the equipment they need, they have got—they are manned, fully manned as a unit, they—you know, they have got all that support. So it is not just about compensation.

But I think the—you know, the most important areas for reform, as I said, base realignment and closure. We are—we have, as much as I know there have been challenges with past rounds, GAO [Government Accountability Office] report is—reports have been categorical that we are saving billions of dollars based on previous rounds of BRAC. We have too much infrastructure. We need to be able to downsize some of that. I know that is a very difficult issue politically, but we are at a point where I think we are at a level of risk that we have got to look at that.

Being able to rightsize the workforce, both civilian and government workforce, the contractor workforce as well as the military, we have got to have the authorities for that.

Mrs. DAVIS. Do you think that—

Ms. FLOURNOY. And then on compensation—I am sorry.

Mrs. DAVIS. Yeah. If I could just jump in for a second, because I think sometimes we talk about where we could perhaps make some of those change, but we don’t know where we gain, you know, where the shifts are and whether or not it is in cybersecurity or whatever areas it is that really we need to make those cuts, and I think perhaps getting some help with trying to frame that in that way.

Ms. FLOURNOY. Right. So I think that—those savings, and I would add compensation reform and, you know, better quality health care, reduce costs, more equitable and modern approach to retirement benefits and so forth, but, you know, to me the, you know, the investment needs to shift into bringing readiness up to the appropriate levels, protecting the most important moderniza-

tion and investment programs for the future, ensuring that we don't cut force structure below the levels that strategy requires.

So, I mean, I think the investment areas in general are obvious. I think there is, you know, lots to be discussed within each of those areas, particularly modernization, but really we are currently spending billions of dollars in areas where we shouldn't be, and the Department needs the flexibility to move those into the priority areas where we really need to buy down risk.

Mrs. DAVIS. Thank you.

If I could just quickly, building partner capacity is also something that you mentioned and is part of what we—what we try to do, although, quite frankly, I think the public is maybe not as sympathetic often to that. How, again, can we frame that better? Do you see that as really a critical area and one that needs more funding in order to make it work the way that it should?

Ms. FLOURNOY. I personally believe that building partner capacity is very—a very important element of strategy. It is something we highlight in the report as well.

When you look, for example, at counterterrorism, for a sustainable outcome in a place like Yemen, in a place like Iraq, in a place like Somalia, you have got to be able to leave behind a force that can contend with the local challenges, the local insurgencies, in order to have an outcome of some stability that lasts.

So it is critical to actually achieving our objectives in many, many places, in addition to a more equitable approach to burden sharing.

Mrs. DAVIS. Thank you.

The CHAIRMAN. Thank you.

Mr. Forbes.

Mr. FORBES. Mr. Chairman, thank you.

And like everyone else, I want to thank you for your leadership. You issued a clarion call to repeal sequestration before it was popular to do so, and you have made a difference, you will continue to make a difference.

I know Mac will do a great job, too. You leave an individual who has got 20 years of experience and wisdom as he takes over this committee, but I also want to mention someone else, who is not here today, and that is Mike McIntyre, who will also be retiring. And Mike has had almost as long in terms of his service to this committee, done a great job, and certainly been a very, very capable ranking member of our subcommittee. We are going to all miss him very much, too.

And to both of you, I want to thank you. Each of you have been giants, champions, experts, whatever you want to say, in your own field and defense, but what has impressed me so much in the last year or so is how you have pulled that talent together with one voice, and I think you have made a geometric difference by being able to write and talk together on those things, and we just thank you both for that expertise.

When we talk about giving the Pentagon more discretion, one of the reasons we are reluctant to do that is we don't think the Pentagon is always making the Pentagon's decisions. Oftentimes we feel here, we don't have a comfort level, we think the White House is making too many of those decisions, and I think to the degree

we see the Pentagon making more of those decisions, I think we will be freer to give them more of that discretion.

But I have two questions for you, pick either one or none to answer, but the first one is based on Secretary Hagel's recent speech about innovation and offset strategies, how do you see that tying in to the work of the panel, one?

And then secondly, it seems like we do defense planning backwards. We always spend time talking about the dollars we want to spend for defense spending, then we develop our strategy, and then we look at how we implement that strategy. There is almost never a time when we come to policymakers and say, here is what we want to accomplish, in non-chokepoints in the world, for example on shipping, which one do you want to give up, you know? And then from there develop a strategy and say this is what it is going to cost.

And over and over again we get into discussions about how much a toilet seat costs at the Pentagon, but nobody talks about, you know, how many ships we can have, where we can have them around the globe. How can we do a better job of painting that picture, of what we give up, to policymakers? So either one of those two questions, and either or both of you feel free to grapple with it.

Mr. EDELMAN. Mr. Forbes, well, thank you very much for the question on the offset strategy, because I think both Secretary Flournoy and I were in California when Secretary Hagel publicly rolled out the offset strategy.

In fact, we mentioned the earlier efforts at offset strategy under the leadership of Harold Brown and our co-chairman, Bill Perry, in the report. And at Secretary Hagel's invitation, we outlined in the report a number of areas for future investment where we think it will be important for the Department to invest, to have capabilities 20 years from now that the Nation will need.

One of the things I think we were quite focused on as a panel was the statements that Secretary Hagel has made about the potential that the U.S. will lose its qualitative military edge, which has been a key to everything that we have done since the end of the Cold War.

So in that sense, although it came obviously after the work of our panel, I think—I don't want to speak for the other members, but I can certainly say personally, I think that the offset strategy is in keeping with much of what is in the report. I think it is absolutely necessary. I applaud Secretary Work for having launched this and Secretary Hagel for having endorsed it, and I would only add one thing.

I think there is going to be a hearing this afternoon on the offset strategy. My CSBA [Center for Strategic and Budgetary Assessments] colleague, Bob Martinage, is going to be testifying there, he has done a recent report on this, and one of the things he points out, and I think it is important to bear in mind, is that the offset strategy in the 1970s was absolutely crucial in helping develop some of the technologies that became hugely important to our defense force in the 1980s and on into the 1990s and, in fact, right up to the current day, but unless those—unless those technologies

and capabilities are funded, you know, you don't get the absolute benefit.

So by all means, we need to develop the, you know, ability to kind of offset other people's advantages with areas where we can bring something to the table that can counteract that or put stress on a potential adversary in an area where they are weak, but I don't think it can be a substitute for, for instance, relief in the top line that we advocate in the report.

The CHAIRMAN. Thank you.

Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

For both of you, there are some comments that critics would say that you failed to address the role or issues of Guard and Reserve as you are looking at readiness or looking at Active Duty numbers versus Guard and Reserve and how to utilize the Guard and Reserve. Can you both comment on that?

Ms. FLOURNOY. I think that is a fair criticism. There is only so much we were able to cover in the time we had in the report, but I agree that rethinking our concept of how—of the total force and how we integrate Active, Reserve and Guard capabilities is critical to getting it right in the future. I don't know that there is a one-size-fits-all, I think different models may work well for different services, but I don't believe that the work has been done—the work that needs to be done has been done yet to fully explore the opportunities.

There is tremendous talent and experience to be leveraged in the Guard and Reserve, it is an invaluable set of resources for us, but we have got to have a compelling concept for how we are going to do that in the future, and that may not look like the last 12 years when we were trying to sustain a rotation base for two large, long counterinsurgencies. And so I do think this is a very ripe area.

I think the services need help and top cover from both the civilian leadership in the Pentagon and, frankly, civilian leadership in Congress to get this right, because, you know, obviously there are political challenges associated with making some of the necessary changes and trade-offs.

Mr. LARSEN. Thanks.

Mr. Edelman, do you have a separate comment?

Mr. EDELMAN. Well, the only thing I would add, I mean, I agree with Secretary Flurnoy, I think it is a fair criticism, and as she said, there is, you know—given the time and given the small panel, we only had 10 members of this panel, you know, we couldn't attack everything.

I would say one other thing, and it is related, I think, to the issue of how we think about the Guard and Reserve, and it is something we do talk about in the report and we talked about 4 years ago in the Independent Panel report. Most of our planning, contingency planning and war planning, is based on the notion that we will fight only very, very short wars. That is a nice, convenient planning assumption, but I think, as most of us have learned, you know, once conflict starts, you don't know exactly what form it is going to take.

And we have not really thought very much as a nation over the last 20 years about how we would mobilize and have a strategy of

mobilization, which would of necessity involve the Guard and Reserve, to fight a prolonged conflict, and I do think it is something we need to give greater attention to and I think it is something that the committee should be focusing its attention on as well.

Mr. LARSEN. Could I ask a follow-up on that point, because there was also some concern about movement away in the QDR from a two-war construct. And that two-war construct is based on fighting two relatively short wars, and you trade that off for one really, really long one. It kind of makes sense to move away from a two-war strategy if you are going to be in a really long one. How would you comment on that?

Ms. FLOURNOY. I think the—you know, the U.S. military, given our interests around the world, will always need to be able to defeat aggression in more than one place at a time. It is critical to our ability to reassure our allies and it is critical to deter our adversaries. If people think that once we are involved in one place heavily, game over, you know, then the—you know, the mischief can be made.

That is inviting aggression in other areas, and it will also really create huge anxiety among our allies and potentially affect them to—you know, cause them to revise their own defense calculations, their own calculations with regard to things like nuclear weapons.

So this is a really core principle that can come in a lot of different flavors, but the ability to defeat aggression more than one place at a time has got to be a cornerstone of any strategy going forward, in my view.

Mr. LARSEN. Mr. Edelman.

Mr. EDELMAN. I agree with what Secretary Flounoy just said.

Mr. LARSEN. Okay. Thank you.

Yield back.

The CHAIRMAN. Thank you. Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

Ma'am, sir, thank you for being here and for your work. Congressman Marshall, thank you as well.

I represent the eighth district in Georgia, and Moody Air Force Base and Robins Air Force Base are both in my district. And I want to talk with you a little bit about the recommendations for the Air Force and the number of planes we should have, but I first want to mention, going back to what Mr. Forbes said, I do believe that good leadership at the Pentagon is necessary to carry out any national security plan, and I do think that if we had leadership that was able to operate based on what was in the best interests of national security, I think you'd see much more support from this committee for that leeway that you have asked for than you have. And I just go back to Secretary Gates, Panetta, now Secretary Hagel. In the 4 years I have been here, we have had three different Secretaries of Defense. That is not good for the country. And it seems to me that the President is trying to micromanage national security instead of putting good people in place and letting them do their job.

In 2021, mandatory spending in this country will be three and a half trillion dollars. The net interest on the national debt will be above \$700 billion and spending on national security, including OCO [Overseas Contingency Operations], will be below \$700 bil-

lion. And so when we talk about loosening up on the restrictions and the reductions of weapon systems, that is where our concern comes in under this President, is using the DOD [Department of Defense], if you will, as a piggy bank to fund social programs.

So the F-35 program as we push forward, certainly a system that I think most of us support, my fear is that it has the same thing happening to it that happened to the F-22, and while we stand down A-10s and other weapons systems that are currently available, we end up with an F-35 program where the buy gets cut in half or a third or 75 percent, and anyway, we don't have the number of planes that we had planned on for national security.

Can you speak to the number of planes that we need, and if we continue to stand down the planes that are currently flying and we don't complete the F-35, the impact of that on national security?

Mr. EDELMAN. We did consider the size of the Air Force. And I think it is fair to say, I don't want to air dirty linen of the—of the panel in front of—in front of the members, but there were some differences about the specific numbers that might be needed, and as a result, we just agreed that the Air Force needs to be considerably larger than it is today and is foreseen to be in the future.

I think unfortunately, Mr. Scott, the reality is that the F-35 buy almost certainly will end up being cut. I think historically we have all—it is not just the F-22. I think historically we have never bought as many aircraft as we initially intended. There are a lot of, you know, complicated reasons for that; one of them has to do with escalating costs, and it is one reason why we recommended, you know, some things in this report, as we did 4 years ago, about procurement reform, because that, I think, is a big part, you know, of the answer.

But we were very focused on the force structure issues with regard to the Navy and the Air Force, because as part of the strategy that the QDR was meant to implement, the likely, most likely conflicts are going to be ones that are going to be heavily engaging naval and air power.

So we looked at those and we tried to come up with some gross order of magnitude parameters to help you and your colleagues with. And so for the size of the Navy, for instance, which I think Secretary Flournoy mentioned a couple of minutes ago, we said the range should be somewhere between what Secretary Gates's fiscal year 2012 budget would have purchased and what was in the 1997 Bottom—you know, Bottom-Up Review force structure in that QDR, because that was in a period of time when the world was forecast to be even, you know, less troublesome than it is today.

And we are way—headed to way below that in the Navy. The Air Force, as I said, our conclusion was, you know, it needs to be considerably larger, but we were not able to put specific numbers on it.

Mr. SCOTT. Thank you. I am almost out of time.

Ms. FLOURNOY. If I could—

Mr. SCOTT. Yes, ma'am.

Ms. FLOURNOY [continuing]. Congressman Scott, with—you know, with all due respect, I have a different diagnosis of what is going on. I don't think that—I have not seen evidence that the

White House is micromanaging the DOD programming and budgeting process.

What I have seen is that since 2011, that was the last time when you had a truly—fully coherent sort of strategy-driven program that was offered up as, you know, here is the DOD plan. Since then, we—DOD has been battling with, you know, two rounds of BCA cuts totaling a trillion dollars, sequestration that doesn't allow them any flexibility to move money between accounts, and a life of CRs [continuing resolutions].

So you have this constant uncertainty, unpredictability that is causing the services in one case last year to do seven different versions of their POMs [Program Objectives Memorandums]. You know, they are just trying to survive the next budget bogie as opposed to doing the kind of strategic planning that you are calling for, but my—I think the reason for that is the BCA cuts and the sequestration more than it is any sort of outside interference, as far as I can see.

Mr. SCOTT. Well, certainly I agree that the timeliness of Congress in not getting the job done is a problem for DOD. And I would again remind the administration and the Senate, this committee passed unanimously the National Defense Authorization Act months ago, and the Senate has yet to take—

Ms. FLOURNOY. Yeah.

Mr. SCOTT [continuing]. Action on that.

Mr. Chairman, thank you.

Mr. COFFMAN [presiding]. Ms. Hanabusa.

Ms. HANABUSA. Thank you very much, Mr. Chairman.

Secretary Flournoy, you know, the QDR has been said to be the force-sizing construct, and that is what we are supposed to be doing. I think one of the most troubling things about the QDR has always been that we just seem to—the document seems to just hedge on the fundamental issue of exactly what is the force-sizing construct.

Mr. Larsen talked about the two-war or the two-theater assumptions that we have had since the Clinton administration, and then we seem to have hedged on that as well in the QDR, and we don't seem to answer the fundamental question, which is, what is the military to look like? What is it that we think we are going to be needed to do?

So if we are in Asia-Pacific, the pivot to Asia-Pacific, which is hugely sea mass, and/or we are supposed to also be able to do at the same time the Middle East, which has a totally different situation, like your testimony in your op-ed piece talked about the fact that we didn't really look at ISIL at the time that this whole thing was being discussed.

One of the things that I found disturbing is we didn't even begin to address the two-theater construct, that was the first thing, but the second thing is when we are so diverse, how, then, do we come up with a review to say what is the force structure to look like, when DOD isn't able to tell us where we are going to be and what is it that we can do, because it just seems to be so contrary to what the needs are? So if you could answer that.

Ms. FLOURNOY. You know, my own view is that, you know, and this is based on a wonderful saying of Secretary Gates, which is,

you know, we have a perfect record about predicting where we will fight in the future: you know, 100 percent wrong.

Ms. HANABUSA. That is right.

Ms. FLOURNOY. We have never gotten it right.

Ms. HANABUSA. I remember him saying that.

Ms. FLOURNOY. And I ascribe to that. So I think, you know, there is a lot that can be done in trying to anticipate different scenarios, test your planned force against those to see how—you know, where it would do well, where it would fall short, but ultimately you have to come up with a balanced force and a force that puts a premium on agility and the ability to adapt to something you didn't anticipate.

When you take down readiness, you take down agility. When you take forces down to too small a level, you take down agility. When you don't invest in critical modernization, R&D [research and development] for the future, you reduce agility. And so I think that is—that is my, you know, biggest concern.

But I think a robust discussion of the requirements, the scenarios, and the kind of force trade-offs that we need to make is exactly the strategic discussion we need to be having, but I would submit to you, you can't get there when under sequestration. You can't even get to that conversation.

Ms. HANABUSA. Secretary, I agree with you. I think—and I voted against many things because of—sequestration continuing. Having said that, however, you know, I represent Hawaii, and we, of course, have a huge issue there of USARPAC, U.S. Army Pacific, and the downsizing because of the QDR and also because of what we look at, you know, what sequestration's going to do; however, underlying all of that is still the fundamental question of what is, for example, the role of Army or, more importantly, are we going to continue to fund, is Congress being asked to fund continually the three branches, or the four branches, whichever way you want to say it, in equal parts, and is that where—and, you know, it all comes down to what I think the fundamental purpose of the QDR was.

So what is when we look back? And if the QDR doesn't then give us what we think 4 years that structure should look like, we are going to continue to expend based on what we are hearing and what literally all of our individual areas and needs are.

Ms. FLOURNOY. I think that the Defense Strategic Guidance of 2012 laid out a pretty good strategic vision, and I think that most of the panel agreed with that.

The QDR endorses that and basically says, you know, here is the force we would like to build to support that, and that is what undergirded the President's higher budget request, higher than sequestration and the BCA levels.

But if sequestration continues, these are the cuts we are going to have to take. This is the way, you know, it will affect our ability to execute that strategy, and this is where we will take risks.

You know, I think we thought that was—you know, they were in a box. They are being told, you know, "Develop a strategy-based plan. But, oh, by the way, you have got to also live with sequestration." And I think they tried to square it the best way they could.

Ms. HANABUSA. Thank you, Mr. Chair. I yield back.

Mr. COFFMAN. Mr. Palazzo.

Mr. PALAZZO. Thank you, Mr. Chairman.

Thank you all for being here today.

Fifteen minutes is not going to allow me to ask all the things I want to talk about.

But I do want to focus real quick—there wasn't a lot of mention about the National Guard in the QDR. Can you kind of in your—you know, very quickly, you know, discuss what you see as being the National Guard's role in the future. I know it has gone from a strategic Reserve to an operational Reserve. But what do you—what do you see it, in the homeland and operating aboard?

Mr. EDELMAN. Well, we—you know, as we have said earlier in answer to Mr. Larsen's question, it is not something that we really considered at great length in the panel.

I know that General Kearney, if he was here, would want to talk about this because he was very concerned about the balance between the Active and Reserve components and—and all of that.

I can tell you my own view from—speaking personally, from the previous panel 4 years ago and the current panel, is that, you know, we are going to—you know, there are going to be certain homeland contingencies where DOD is going to play a lot larger role than people anticipate and the Guard will be part of that, certainly, very much a first line of defense.

I mean, if there is a nuclear incident somewhere in the United States with a detonation or a dirty bomb, I mean, I just don't know how we are going to get through that without DOD, you know, being a very large part of the response.

And I know there are concerns about, you know, Posse Comitatus and other—other issues. But I think one thing we know how to do in the Department of Defense is to arrange supporting and supported relationships.

So I actually don't think that that is that much of a concern. But I do think the Guard is going to play a huge role in things like that in the future.

Mr. PALAZZO. After 13 years, I mean, of the Guard being side by side with our Active component in Iraq and Afghanistan, you know, it seems now that where sequestration is start—we are starting to feel it. You know, you have Active Army coming out and saying, "Well, you know, the Guard really didn't do as much as, you know, we had said they had done." Because I think everybody is scrambling for their piece of the pie.

And, you know, for many of us, we know that the Guard has been able to, you know, join with their Active components and not miss a step. And it is also—you know, it is a lot—and more inexpensive to maintain certain things, like the heavy brigades and the Guard, and the Apaches and the Guard.

And when—you pull them up when you need them. And they have done a fantastic job. And I could think of a lot of other things that the Guard—we could surge them to the border and help secure our border. You know, we have talked about that in Homeland Security.

But moving on real quick, you know, we have also talked about readiness. And I agree with Ms. Flournoy that, you know, we want to be well equipped, well trained, you know, well led. We expect

our men and women in uniform to have it. The American people expect our men and women in uniform to be ready to do their mission and come back home safe and sound to their loved ones.

But, you know, when you have this trust deficit—and it was mentioned by several different members, is that we don't necessarily know if the Pentagon is making the right decisions or some of these decisions are coming from the White House.

And it is hard for me—when I look at a well-equipped, well-trained, and well-led tactical airlift squadron in my home State being picked up and moved with no cost justification, no strategic military value, it is very hard for me to accept everything that comes from our military leadership.

And that is why I think, if we take certain steps such as, you know, the audibility of our forces, the acquisition reform that our new chairman is going to be working on, it will give us a lot more confidence in what is being presented to us.

But that was just one—one example of a record-breaking tactical airlift squadron in Afghanistan being moved with no strategic or cost justification. And, you know, if we are talking about readiness and wanting to maintain that high level of readiness and to see that and with still today no justification, it is really—really hard to swallow.

And, lastly—and I won't take up more of your time—is October 13, 2011, we had Secretary of Defense Leon Panetta here and we were talking about the future of the national defense 10 years after 9/11.

And I personally asked him, "What would be the short-term cost for things such as termination costs on contracts? You have already committed to increased unit procurement costs if production quantities are reduced." And—and, you know, he—and I am kind of paraphrasing. So if you want to, you know, go back and look.

But in the end, he says, you know, "I went through the BRAC process and I know that all the dollars that people looked at for, you know, huge savings in BRAC."

And, yet, when you—they didn't take into consideration the cleanup. They didn't take into consideration all the work that had to be done. They didn't take into consideration all the needs that had to be addressed. In many cases, it wound up costing a lot more. I don't want to repeat that mistake.

I mean, that is the former Secretary of Defense sitting where you all are, telling us that BRAC was a mistake. And I understand there is reports showing a difference of opinion. But, you know, to many of us, again, we need to have that confidence renewed in our military leadership to make those tough decisions going forward.

Ms. FLOURNOY. If I could just comment on the BRAC issue, with all due respect to my former boss, who I hugely admire, you know, I do think you have got to look—there were probably particular areas where we got the cost estimates wrong, particularly bases—particular bases where, you know, we didn't save as much as was expected.

But I think the record is actually pretty clear on this, if you look at the series of GAO reports, the series of CBO [Congressional Budget Office] reports. These are, you know, congressionally, you

know, empowered bodies to do analysis for you. The record is very clear on what the cumulative savings over time have been.

So the question is not whether, but how, to design a BRAC to make sure that you get a strategically aligned result and actually some serious cost savings for the Department so that money can be reinvested in readiness, in modernization, in real capability.

Mr. EDELMAN. Mr. Palazzo, just a couple of points.

One—again, I won't speak for my colleague. She may have some observations of her own on this. But when I was Under Secretary and went out to Afghanistan and Iraq, I saw lots of deployed Guard and Reserve units, and I was astonished at how well they performed. So I—I think I agree with you on that.

I think—I think my observation on the BRAC issue, as a member of the National Defense Panel, is that the Department has not done a very good job, frankly, of working with you all and telling their story very well and very effectively.

I think it is fair to say that the last BRAC round, which went on when I was Under Secretary, although I am also happy to say that it was in the province of my colleague, the Under Secretary for Acquisitions, Technology and Logistics, that that real—that BRAC was really about realignment rather than closure. And so, as a result, I think there may have been some miscommunication about the savings that were going to be realized and anticipated, et cetera.

And I think one has to look at the issue over the life of multiple BRAC rounds historically and not just focus on the last round. And I don't think the Department has done a very good job of that.

To be fair to them, I think they need to be able to conduct the studies that would enable them to tell the story very effectively or more effectively than they have. So I think that is a—you know, an important aspect of this as well.

And just one final observation: We have had a lot of discussion this morning in answer to Mrs. Davis's questions and several other members. I think Mr. Smith raised some of them as well.

I think all the members of the panel support and endorse the reform agenda that was laid out, including dealing with issues like compensation reform. We hope the Maldon Commission will come in soon with its recommendations for you to consider, et cetera.

But I also think it is fair to say that, even if we had wild success in implementing reform and we are able to reap all of the savings that everybody anticipates, I don't think it would still begin to touch the—the deficit we are facing in terms of the budget and funding the Department to be able to meet the challenges that it is facing right now.

Mr. COFFMAN. Thank you.

Ms. Gabbard.

Ms. GABBARD. Thank you very much, Mr. Chairman.

Thank you both for being here and for your work on this.

My question really goes to the QDR process. There is no question about the fact that the challenges that we face today are vastly different than the ones that we have historically faced and, yet, it seems that the structures and the mechanisms for developing and implementing our national security policy remain largely unchanged.

One particular concern that I have is the fact that cabinet agencies continue to be the principal organizational element in their prospective areas, but there is not a clear part of this process that brings them together in a way that they are nested with each other and that they are aligned in order to achieve the overall desired effect and specific objectives.

I am wondering if you can speak to—give your thoughts on how we can modernize the QDR process, especially considering the fact that so much of our activities in different regions of the world that are undertaken by Department of Defense have very specific implications with efforts for—with State, for example, and the lines have become very much—a lot more gray.

Mr. EDELMAN. Well, Mrs. Gabbard, I am not a fan of the QDR process. I mean—and I will only comment on the QDR over which I presided in 2006, and I will let Secretary Flournoy talk about her own experience. She has done it more often than I have.

I think the reality is that the QDR process largely ends up the way it is currently structured, becoming an effort to provide a rationale for the force in being and the program of record, with a few minor adjustments.

And that is because the way we do this bureaucratically is to get the—you know, the service programmers who are, you know, presiding over these programs in a room to put together this document.

So I think—and we addressed it 4 years ago in the Independent Panel Report. We actually suggested that there might be some thought given to doing away with the QDR requirement.

The problem I think that you have is that there is—I think Members of Congress rightly want to, first of all, make sure that there is some kind of strategic process going on inside the Department of Defense. I mean, I think that is fair enough.

And in the instance of creating these panels, that they want a second opinion, I think that is fair enough, too. But I do think the current process is excessively bureaucratic and that—you know, my view is you don't get good strategy, you know, written by committees of that—of that size.

I am also very sympathetic to your comment about the—you know, the whole-of-government kind of effort that is required in so much of what we do, yet it has really been traditionally only the Department of Defense that has this kind of big strategic exercise.

Now, that did change under Secretary Clinton, who launched the QDDR [Quadrennial Diplomacy and Development Review]—QDD—the State Department's equivalent of the QDR. And that process produced, you know, a report a few years ago. I don't know what the status of that is now, but I think the problem is it is very, very difficult to do this across agency lines.

I do know that there has been more of an effort to socialize the QDR with the Department of State and other agencies. I know we certainly did that in 2006. I suspect that Secretary Flournoy did as well in 2010. But I think your concerns are well taken. We still haven't figured out bureaucratically how to—how to do this.

And I am not quite sure what the right answer is because I—you know, at one level, you could say, "Well, this is really a task

for the National Security Council because it is meant to integrate all instruments of national power on behalf of the President.”

But I am not sure that is the right answer either, to be honest, because the danger there is that the—the bureaucratic imperatives of the Departments then could get lost a little bit, I think, in a process that was purely White House-driven.

Ms. FLOURNOY. I would say I am a veteran of several QDRs and have the scars to prove it. But—and I agree with much of Ambassador Edelman’s assessment.

The best strategic process that I witnessed in two rounds of service was the development of the Defense Strategic Guidance. And that was the President sitting down with the Defense Department leadership—the Chairman, the Secretary, the service secretary, the service chiefs, the combatant commands—for multiple sessions of multiple hours each and, really, as a leadership team, working through, “What should our strategy be? What are the strategic trade-offs? What are the big areas where we are going to prioritize? And where are we going to accept and manage risk?”

And then that—because that—that team worked it intensively, all of those stakeholders at the end of the day slapped the table. So when it came time to translate that strategy into a program and budget, that process went relatively smoothly.

You could envision something like that at the principal’s level on a more interagency basis, bringing in the Secretary of State or the Secretary of Treasury and Homeland Security, and so forth. But in all of my years of government, that was the closest thing that I saw to a successful strategic process, and it didn’t look anything like a QDR.

Mr. COFFMAN. Dr. Wenstrup.

Dr. WENSTRUP. Thank you, Mr. Chairman.

I appreciate you both being here today. It has been a very good conversation, I feel. And you are right when you say that people in this room, even those that aren’t here that take these seats, they do—they get it. And that is the challenge that we face being on this committee.

One question I had—and I just want your opinions on some of these things. If we were to increase our force structure personnel, in particular, would we need the infrastructure that we are not using now?

You talked about the 24 percent. You know, so if we somehow cut out the 24 percent, but found ourselves increasing our military to levels that we feel it should be, would we need that back, do you think?

Ms. FLOURNOY. I think that the question that—needs analysis. My impression is that there may be some things—some recommendations that would be changed on the margins, but a lot of this infrastructure has been sub—you know, underutilized for many, many years, even when we had a larger force.

Dr. WENSTRUP. So there is a potential that some of it would maybe need to be—

Ms. FLOURNOY. I think it is worth analyzing.

Dr. WENSTRUP [continuing]. If we were to get—

And one of the questions that I had I think you answered very well is, you know, if we went through all the reforms that you suggest within DOD, it still would not be enough to get there.

So do we change, in your opinion, what we are spending on discretionary spending? Mandatory spending? You know, where do we reach for what we need?

Ms. FLOURNOY. You know, again, I think that the reform piece is part of the solution because we have to be able to, you know, whether it is executive branch or the Members of Congress, look the American taxpayers in the eyes and say, "Look, you know, we are spending your dollars as well as we possibly can, as wisely as we possibly can."

Dr. WENSTRUP. Lead by example.

Ms. FLOURNOY. Right.

So I think the Department has to go down the reform path. Our judgment, as a panel, was that would be necessary, but not sufficient, to get to the spending levels we need.

And so I do think we need to lift sequestration on defense spending. I think, given the facts that Representative Smith laid out, the fact that we have achieved much of the BCA goals with regard to deficit reduction—I think we should look at lifting it, in general.

What we really need is a comprehensive budget deal with all of the key elements on the table: entitlement reform, tax reform, and smart investment in what will drive the dynamism of the American economy in the future.

That is what we really need, and that would be the best way to handle this challenge. Short of that, some sort of smaller deals that create relief for the Department in the near term I think would be very important.

Dr. WENSTRUP. And that is what I am thinking about, too. I mean, ideally, I would love to hear the American people screaming for regular order and that we pass budgets and appropriations and did all those things that would let things flow and give people some certainty as we look towards the future.

But I am wondering, on a shorter term, what we could actually achieve. And if sequester was taken off of the military, I think that would obviously be one step in the right direction.

The question comes in then where do we get the funds from—

Ms. FLOURNOY. Yes.

Dr. WENSTRUP [continuing]. Which is the hardest part.

Ms. FLOURNOY. One of the things I would say is, in some of these really challenging politically sensitive areas, to explore the idea of pilots or, you know, experiments, you know, allow us to try—you know, allow the Department, I should say, to try, you know, a change and see if, for example, you could get better quality of care at lower cost in part of health care.

I mean, but, you know, if Congress feels it is too risky to kind of swallow across-the-board reform, let the Department try something and see if it works and then let it scale. But to just say, "No. It is off the table because it is too high risk or it is too sensitive," I just—it is not a viable solution.

Dr. WENSTRUP. The other thing I would like to get your opinion on—and I see it, as a reservist. There is so many people today,

young people in particular, that have real-time experience—real-time military experience.

And this is—these are people that I think and many I know would still like to be in the Guard and Reserve, even if they are leaving Active Duty, or remain in the Guard and Reserve, and they have this real-time experience and we are letting them go.

And so I am wondering your opinion on the level of Guard and Reserve that we have maintained when we have the unique opportunity for maybe the first time in our history to have such a large experienced Guard and Reserve.

Mr. EDELMAN. You know, I think it is a good point. I think it goes back to this question of how do we think about mobilization and mobilizing all the resources that we have if we end up in a conflict that ends up being more than 30 days, which I think is likely to happen.

And I don't think we have given nearly enough thought about it, as a nation. I think it is one of the things we are all concerned about on the panel.

Ms. FLOURNOY. I do think that it is very important to think strategically about, you know, what skill sets do we want to maintain access to. One of the things that happens in drawdowns is we lose a lot of field-grade leadership.

Keeping connections to some of those people, keeping them tied so that they could come back in, you know, use their experience again, that would be a very strategic approach to sizing parts of the Guard and Reserve.

Similarly, cyber. You know, this is an area where tremendous civilian expertise and skill sets that need—you know, perhaps we could leverage by reaching out to certain communities in areas of, you know, expertise and having them affiliate via the Guard and Reserve as opposed to becoming—expecting them to become Active Duty and so forth.

So I think a more strategic approach to thinking about, you know, how do we want to leverage this incredible resource and size and shape it appropriately for the future.

Dr. WENSTRUP. Thank you very much.

Thank you, Mr. Chairman, for allowing me to go over.

Mr. COFFMAN. Mr. Veasey.

Mr. VEASEY. Thank you, Mr. Chairman.

I was reading a statement by General Dunford just a couple of weeks ago, actually, where he said 50 percent of our units that are at a home station today are at a degraded state of readiness.

And I was wondering what you thought of the general's statements and what you feel could be done to help our home stations, you know, be at a more prepared state of readiness. And I know one of the things that he did cite was sequester.

Ms. FLOURNOY. Right.

And I think that the situation that General Dunford described for the Marine Corps is true across all of the services.

And what that means is that, if a major contingency happened, you know, a war on the Korean Peninsula, you know, Russian aggression against a NATO [North Atlantic Treaty Organization] ally, some major contingency, those are the units that would be called to go.

And when—if those units are less than fully ready, that means that you are accepting risk in some form: slower response, less capable response or, you know, putting into harm's way—putting people into harm's way without the full—all of the training and equipment that they need or undermanned.

And so, you know, it is something that is not visible to the American people day to day, but it is something that today we are accepting risk if another major contingency were to surprise us. And so it is something that needs to be addressed.

In the panel report, one of the priorities we state, one of the first things that we should do when we—after lifting sequestration is make the readiness accounts whole, put money back into readiness to raise—to ensure we have units that are on standby and fully ready for contingencies.

Mr. VEASEY. Is that the number? Do you think that 50 percent is pretty accurate?

Ms. FLOURNOY. I have heard—I have heard him say that. I have no reason to doubt that. You know, the evidence I have seen supports that. And I think, as I said, other service—the numbers in other services are similar.

Mr. VEASEY. Thank you.

Thank you, Mr. Chairman.

Mr. COFFMAN. Ms. Walorski.

Mrs. WALORSKI. Thank you, Mr. Chairman.

And thank you—both of you for being here.

You know, I sit as we listen to this and I listen—I agree so much with what you both are saying. I agree with the premise—a lot of the premise of the report.

I do question, like my colleague just questioned—the whole concept of the QDR seems like a wish list, as we are coming into Christmas, saying, “From a military perspective, here is what we need—here is what we would really love to have.”

But back in the reality of where we are at and some of the tough decisions that haven't been made, you know, I look at this as—as kind of like arms flailing in the air, kind of swinging, kind of treading water.

And my question is: For those people like me that grew up in a nation that ascribed to peace through strength and in a country now where we are sitting here listening to the best, brightest experts that we have saying that this is real threat to national security, this issue of sequestration—and I agree—how long—how far away are we? How many years will it take, given—if sequestration rolled off today?

And I have heard so many answers to this, even in California, the defense summit, when the former SecDefs [Secretaries of Defense] talked about this. Readiness has been so affected. Trust has been so violated with our NATO allies. The global dominance of the United States obviously questioned by the activity with ISIL, Russia, and all the things that you just described earlier in this hearing.

How many years away are we if we rolled sequestration back today till you, as the expert, could confidently say that we are leading from a strength—a position of strength and we are not just

doing crisis management as things come up? How—where are we on that timeline?

Ms. FLOURNOY. My own view is that I think lifting sequestration, increasing defense spending to a robust level, would send an immediate signal to both adversaries and allies that would have very important immediate effects.

I think the actual recovery time of how long until you recover readiness, how long until you make modernization programs whole—I think a lot of that would depend on the level of funding and, you know, how it was allocated.

So it is hard to estimate. But I can tell you the longer we stay under sequestration, the longer that recovery timeline will be.

Mrs. WALORSKI. But when it comes—and I understand. I agree that an immediate withdrawal of sequestration would send a significant signal.

But is it just—are we just sending a monetary signal to our allies, saying that—that, you know, if we had more funding, we could do X with our NATO allies?

Because that would be mixed—there has—there seems to be mixed signals coming from the administration. It is not just a money issue.

And the issue with, for example, just Ukraine and Crimea and Russia doesn't just seem to be the money issue of why are we sending blankets, not ammunition. There is greater implications there on where our strategies lie with trust with our allies. It can't just be finance, I would think.

Mr. EDELMAN. Ms. Walorski, I think you need to think about the top line. I think I said this, actually, when Secretary Flournoy and I were on a panel together out at the Reagan Library when—with regard to allies.

But, also, more broadly, you need to think about the top line in kind of two ways. I mean, the number, whatever it is—the number, for instance, that was in the fiscal year 2012 Gates budget represents what we buy with it as a Department of Defense and how we man, train, and equip the Armed Forces.

But it is also a surrogate for national will, how much are we willing to tax ourselves as a nation in order to provide the kind of global public goods that we have traditionally provided and what I think a policy of peace, you know, from strength represents.

And so I agree with Secretary Flournoy that a—you know, a signal like that would be read by both adversaries and allies very clearly. Then how you actually spend out the money, that takes a little bit longer until you decide what it is you are going to, you know, do.

And I think both she and I agreed buying back readiness would be the first thing you would want to do, but that doesn't—you know, ultimately, while it is a surrogate for national will in terms of a signal, it doesn't substitute for the national will.

Mrs. WALORSKI. Right.

Mr. EDELMAN. And that has to be executed, you know, by the President of the United States, who is the Commander in Chief.

Mrs. WALORSKI. Thank you, Mr. Chairman. I yield back.

Mr. COFFMAN. Mr. Langevin.

Mr. LANGEVIN. Thank you, Mr. Chairman.

And I want to thank our panel for the work you have done on this and the service you provided to the country.

Before I just get to a couple of questions, Ms. Flournoy, I was glad to hear you talk about cybersecurity and perhaps better leveraging the private sector in assisting us in better protecting the Nation in cyberspace.

And you are right there—you are right that there are incredible capabilities and expertise in the private sector that we can more effectively leverage, I believe. I think that the President helped to facilitate that with the issue—issuance of the Executive order recently on cyber.

And let's not forget, also, of course, the Guard and the Reserve, that right now in Rhode Island, for example, the 102nd Network Warfare Squadron, you have cyber—effective cyber warriors that that is what they are doing in their day job and are highly effective, but, yet, they are providing that important service to the country. So just an observation.

And I wanted to ask—on page 50 of the NDPR [National Defense Panel Review] report that—you spend a good amount of time talking about innovation and the need for specificity in the Department's planning and the need to avoid using innovation as a substitute for actual investment.

One point that particularly struck me was the—the panel's observation that—and I quote—“It will be increasingly important to build and support a culture of innovation at the service level, including creating opportunities to compete concepts, conduct real experiments, pilot and prototype new solutions, risk failure, and learn as an organization. And, obviously, this is going to be no small challenge.”

So what would be needed to effect this kind of change? And what in the Department's current structure is holding this back?

Ms. FLOURNOY. You know, for the last 13 years, I think the services have been rightly focused on the wars that we were in and making sure that we were focused on innovation in terms of dealing with the real-world threats we were dealing with every day.

I think, as we enter this new period and see more fundamental changes in the security environment, the services have to sort of buy back some of their bandwidth and reallocate some of their talent to really be thinking about how will we fight differently in the future both because of the challenges we will face and the capabilities of future adversaries and because of the technological opportunities that are coming online as a whole variety of technologies that we listed in the report are reaching greater maturity for applications in defense.

And so, you know, to really create an environment of innovation, you almost—you need a dramatic change from the mentality you take into warfare, which is sort of zero defects, no tolerance for, you know, every—you know, lives are on the line. You have got to get it right.

In an environment where you are trying to innovate for the future, you have got to have experiments that actually risk failure not on the battlefield, but in the laboratory or in an exercise. You have got to actually be able to try things that may be so far out

there that they may fail, they may not work. And you learn from that and then you redesign and then you try again.

But it is a very different incentive structure, a very different cultural environment, than the one we have been living in in the last decade. And so it is going to take conscious change and leadership to create that space and those incentives inside the services.

And, again, this sequestration is an enemy of innovation in that, if you are trying to survive each day from a budgetary perspective, you are not spending a whole lot of time innovating for the future.

Mr. LANGEVIN. Any comment from Mr. Edelman?

Mr. EDELMAN. I would just say that—two things.

One, I think one of our concerns—we, I think, were very supportive of the idea of innovation, but wanted to make sure that people in the passage you quoted don't just start repeating innovation as if it is a mantra of some kind that will, you know, get us out of very severe problems that sequestration has created.

Secondly, though, I think—when it comes to creating a culture in the Department of Defense that is more open to innovation, I think you have to recognize that innovation is almost certainly going to be seen by somebody somewhere in the Department of Defense as a threat to the existing program of record and, therefore, a problem to be managed rather than an opportunity to be exploited.

And I think that is why it is important to have competing centers, ideas, some of the things that Secretary Flournoy was just talking about, and an openness to—you know, to taking risk and having failure, again, not on the battlefield, but in exercises, in war games, however you want to try and approach it.

Mr. LANGEVIN. Thank you. Thank you, both.

Yield back.

Mr. COFFMAN. Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman.

Mr. Edelman, Ms. Flournoy, thank you so much for joining us, and thanks for your service. We appreciate all the work you do on the National Defense Panel.

I want to go to an issue involving readiness and, really, the—the heart of readiness, and that is the concept of risk.

As was pointed out, risk is sometimes hard to measure objective—or subjective, I should say, in many ways. But, also, under the law, it requires that the QDR identify the resources necessary to implement the National Defense Strategy in the low- to moderate-risk realm. We see with sequester coming back that it significantly increases risk.

The question is—today is: Where are we on the risk scale, as we speak? Where would we be in the face of sequester fully implemented again next year? And what is the best way for Congress to communicate that concept of risk to the American people as it relates to the decisions we have to make concerning this nation's defense posture?

Mr. EDELMAN. Mr. Wittman, since I am one of your constituents, I think Secretary Flournoy has decided to defer this question to me.

Well, first, I think the panel believed—in terms of where we are on the risk continuum, the panel said that, you know, unless we

lift sequestration, we will very soon be facing a high-risk force, and that was based essentially on our reading of the chairman's risk assessment. And I think—you know, if we face sequestration again, I think the answer is we will be there.

And I—you know, the question that you raise is a good one: How do you convey this to the public? Because it is a little bit of a slippery concept sometimes. I mean, you know, exactly how are you measuring this?

But I would say I, for one, as a panel member, when we were talking with representatives from the Department, was quite concerned about what the state of readiness of our forces were—our ground forces were, in part, because the Army has been one of the big bill-payers for all of these cuts with regard what was going on in Crimea and Ukraine.

And I think, you know, if you start talking about what—how little we are able to put on the table right now in terms of the defense of Europe, which is something we haven't thought about for quite some time, rightly—I mean, I think people felt that, you know, Europe was whole and free, the security issues there had more or less been resolved, particularly after the wars of the Yugoslav succession, now—you know, now we could focus on East Asia and the Middle East and maybe even more on East Asia than the Middle East. All of that makes perfect strategic sense.

After February, March of this year, it is a little harder to think about the world in that way. And so, if you are—if you don't have a ready force, if you have low levels of readiness, your ability to respond and the kind of options that a President has at his or her disposal in the future are going to be compromised, and I think that is, you know, one way that you can try and make that concrete for your constituents.

Mr. WITTMAN. Secretary Flournoy, give me your perspective on this whole concept of risk. You know, many times it is tough for the public to understand, you know, the strategy if we can't deploy forces here or if something breaks out here or there.

I mean, I want to determine what is the most direct and simplest way for us to do it. Mr. Edelman was very specific in how we do that in a perspective of our forces.

But I think, boiling it down to maybe the individual level, what would be the best way to, say, talk to a citizen off the street and say, "This what increased risk means to our men and women that serve"?

Ms. FLOURNOY. You know, I think, at the—at the individual level, it means a couple of things—service member level.

It means that—you know, that someone may be sent into a mission without having been fully trained for that mission. It means they may go as part of a unit that is only partially manned, not manned full strength. It means that they may not have the best equipment.

It means that they may—we may lose some of the best and brightest talent. You know, if I am an Air Force pilot and I am told I can't fly half the hours that I would normally fly to maintain proficiency, am I going to stay if I have other options?

The best will probably walk. So it means, over time, losing the best and brightest, which is what has, more than anything else, al-

ways distinguished the All-Volunteer Force from any of its competitors.

And then, at a more strategic level, it means, you know, the President—any President, this one or future Presidents, having fewer options for responding. It means that we may be late to respond. We may do too little.

We may have more casualties. We may not be as effective. And it also means that day to day we are not out there shaping the environment, deterring aggression, preventing conflict, as much as we could and should be.

Mr. WITTMAN. Mr. Chairman, thank you.

Mr. Edelman, Ms. Flournoy, thank you very much.

Mr. EDELMAN. Just if I could add, Mr. Wittman, one of the things that I think was of concern to us is that, when you look at the timelines we operate on with the current plans we have, it is going to be increasingly difficult for us to meet those timelines.

And that—and that means, if we were to find ourselves in a conflict, let's say, in the Far East, where, you know, our strategy of rebalance as, you know, one of the major areas of national interest for us, we are talking about, you know, a longer conflict and one in which we will have higher casualties.

Mr. COFFMAN. Mr. Nugent.

Mr. WITTMAN. Thank you, Mr. Chairman.

Mr. COFFMAN. Thank you, Mr. Wittman.

Mr. Nugent.

Mr. NUGENT. Thank you, Mr. Chairman.

And I want to thank the panel for being here.

It is a daunting task, the QDR, particularly all the challenges that we face. You know, I have heard from you on acquisition reform, readiness, compensation, living up to commitments made, the Guard and Reserve, and particularly sequestration. And I think we all agree, at least here, that sequestration is going to be the death knell for our armed services if we don't correct that issue.

But I hear, you know, time and time again from service members, particularly when we start talking about, you know, changes in compensation—you know, we all agree that that is not going to balance the budget as it relates to what Department of Defense needs, and I think that sometimes it is how that message is formed and passed on to those service members that, you know, are listening.

Listen, they don't—"sequestration" is a word that they really don't care about or know about, but they do care about when, you know, their chain of command is talking about cutting benefits and, from the Pentagon's standpoint, as to how, you know, we get readiness back on track.

And I think that is a dangerous precedent to set because, for any employee or member of the military, it just sends a really disheartening message that "We really don't care about you."

I mean, we talk about good things about readiness. But when we start talking about taking away things that we have agreed to with those members, I think that is a bad tack to take.

Now, one that we need to address and—obviously, on future members. And that is always the way—you know, in my past life,

we always talked about, “Okay. What do we do for our current members and what do you do for the future members?”

And it can be different for future members, not necessarily the same as what you currently have. And I would like to see that really formulated more so that our current members don’t feel like they are just going to be chucked to the wayside.

And we talk about readiness. You know, the National Guard and Reserve—the National Guard unit that I am very familiar with has been, you know, deployed numerous times to Iraq and Afghanistan, an aviation unit.

My son now is a pilot in one of those units and, you know, their hours are being cut and they don’t even know if they are going to have enough hours to maintain proficiency. You can do a lot in a simulator, but it is still not the same as grabbing the stick and flying.

How do we resolve that? I mean, short of, if I could wave a wand and do away with sequestration, how does—how does the Pentagon—how should the Pentagon really address the issue of compensation and getting that message out to the troops and, also, readiness? How do they do that under current—

Mr. EDELMAN. Well, let me take on the compensation point for a second and then perhaps Secretary Flournoy will want to talk about readiness.

But I think, as she said earlier, no one is talking, I think, about taking benefits away from current Active, you know, Duty service members. We—we have an obligation, a contractual one.

I think what we are really talking about is rebalancing compensation in the future so that we—we know from, for instance, surveys that have been done of service members that they tend to value certain benefits more than others, particularly at different periods of service, particularly the younger members of the service.

And there may be ways to rebalance compensation to more cash benefits in the early period as opposed to deferred benefits later that create an enormous fiscal drag on the DOD budget over time. And I think that is what we are really talking about.

But I take your point that the way that this is presented to the service members is absolutely crucial.

Mr. NUGENT. It is a messaging issue because, I mean, you have publications out there that give a different message. And I think the Pentagon has just sort of accepted that, and, unfortunately, I think it is a mistake. So I agree with you.

Ms. Flournoy.

Ms. FLOURNOY. I am not sure what more I can say on the readiness point. But I do—what I—I do think that, if we are going to keep forces, we have got to ensure that they are ready to meet the timelines of the missions that are assigned to them. It doesn’t make sense to keep a lot of structure that can’t be ready. And so I think we need to consider that as we find that balance.

Mr. NUGENT. One last point on readiness. And it just—you know, you hear readiness versus future weapon platforms and particularly as it relates to the A-10 versus the F-35.

And you talk about, you know, what is currently available with the current fight or what fight we could find ourselves in today versus the future fight and the F-35 and the problems that are,

you know, associated with the F-35 and the time to implement and the cost.

Is it—is it worthwhile, though, to scrap a program just for a future program, like scrap the A-10 so you can future fund the F-35 program when the A-10 program provides for the warfighter, the guy on the ground, a huge—a huge advantage? And I don't see that particularly going away in the future. I mean, don't we have to weigh those two, current capacity versus future capacity?

Ms. FLOURNOY. You do have to weigh current capacity versus future capacity. And, you know, if the budget constraints remain, some very hard tradeoffs will have to be made.

I don't think the Air Force—I think the Air Force preference would be to have a budget situation where they could keep the A-10s through the end of their service life and have a healthy investment in the Joint Strike Fighter. I don't think this is their preference.

They are at this point because they haven't been allowed to take the reforms. They have been given a sequestration target, and they have got to make tradeoffs somehow. And this—and that is why they are at this point. I don't think it is anybody's preferred answer.

But I will say that, if you believe that the security environment is only going to become more challenging in the future and you have to take some risk, there is some risk to be taken today to get—to make sure we are fully prepared for that more daunting future.

I personally would—I would like to see, again, sequestration lifted so the tradeoffs are not so draconian, but there will have to be tradeoffs at any level of budget. And—and I think that you have to look at in each case where does it make sense to manage risk. You can never eliminate risk entirely.

Mr. NUGENT. I appreciate your comments.

Thank you, Mr. Chairman.

Mr. COFFMAN. Former Congressman Jim Marshall, would you do me a favor and join us at the table, please.

Thank you.

I would like to first thank you all for being involved, I think, in this very important project in terms of seeing where we can cut costs without compromising national security and see where the needs, in terms of prioritizing them, are in terms of our national defense.

There are several issues I want to raise. And that is former Secretary of Defense Robert Gates, before he left, I think, told this committee on several times—on several occasions that the trajectory of personnel costs, the rise in personnel costs, are going to eat into acquisitions costs, that sometime, if left unchecked, we will become a hollow force.

And so let me raise to you a couple of issues. One is what I sense here is a—is cultural—or institutional friction between the Active Duty component and the Guard and Reserves when it comes to the allocation of resources between the two.

I think, as someone who has served in the Army, Army Reserve, Marine Corps, and Marine Corps Reserve, that we can transfer ca-

pability to the Guard and Reserve at a cost savings without compromising national security.

We may have to restructure certain things, like, for instance, say that it is—when it becomes a—from an operational to a strategic force, that it is no longer, you know, 2 weeks out of the year or 1 week in a month, that we need more training than that in order to maintain effectiveness.

But I think that there is a savings. I think—if you compare the cost of an Active Duty Sergeant E-5 to a Reservist Sergeant E-5, I think it is about the third of a cost for nondeployed. But, then, when you take in the legacy savings—or legacy cost of retirement, then that savings is a lot more.

I wonder if you all could comment on shifting capability to the Guard and Reserve as a cost-saving measure.

Ms. FLOURNOY. I think in certain areas that can make a lot of sense. I think—but it needs to be driven by a sense of what are the capabilities we need in the future, which are best sort of parked in the Reserve—you know, where do we need that surge capacity and is the Reserve—are the Guard and Reserves the right place to hold that and so forth, are there specific skill sets where you—they are particularly prevalent in the civilian side and you want to leverage those.

So I think it—as it—in certain cases, it may well apply. As a general across-the-board principle, I would be a little less comfortable with it. But I think, in certain cases, it is exactly as you describe it and it is like that—

Mr. COFFMAN. I mean I think that there are expeditionary units that you probably wouldn't want to be in that—that—there. But there are, say, combat service support elements that—particularly higher echelon, that have a strong civilian nexus professionally that you would do for a savings.

Congressman Marshall.

Mr. MARSHALL. This particular conversation is one that we sort of had in the panel discussions and concluded that we just had such a broad difference of views on this and it would take so much of our time and probably resources to try and figure it out that we just wouldn't get into that. And that is one of the reasons why you didn't see a lot of discussion of this in the panel's report.

The other thing is that we were very careful to say that we encourage the Congress to urge the Department to go through another QDR. Now that I have heard both Secretary Flournoy and Ambassador Edelman describe how unpleasant that is for the Department and how it might itself need to be restructured, I am not so sure that they need to be directed to go through another QDR, but go through another process that is not so resource-constrained, thinking about what our strategic needs are and letting the strategic needs drive the budgeting decisions as opposed to the opposite.

And in the process of doing that, among the things that we thought might occur were the things that we listed, but we were very careful to say “we think.” We don't know—because we didn't have the capacity to determine what the end strength should be—what the appropriate relationship between Guard and Reserve and Active Duty should be.

My own view has been for really quite some time that it would be far more cost effective and strategically smart for a number of different reasons to rely more on Guard and Reserve than we do right now.

So I agree with your observation and, you know, the questions by Mr. Palazzo and Mr. Larsen and a few others that, you know, there wasn't much of a discussion of this in the National Defense Panel's report is largely because we sort of talked about it a little bit and then concluded this is well beyond the capability of the panel to come up with the analysis that needs to be done in order to—to figure what is the right balance.

I appreciate you calling me to the table. It gives me an opportunity to—to say that just the testimony by both Michèle and Eric evidences conclusively what I have been saying for quite some time, that both of them would make excellent Secretaries of Defense. Very balanced, very bright, very informed.

Mr. EDELMAN. Thank you.

Mr. MARSHALL. And I also wanted to make a couple of structural observations that need to be taken into account as we think about how the world is going to work and, more specifically, how the Defense Department ought to be working in the future.

You see throughout business this global trend and the elimination of middle management. I mean, that—middle management is just being cut out, and it is because modern-day communication and IT [information technology]— those two combined enable management to not have to rely upon levels and levels and levels of middle management.

When you put that into a government setting, it means that ambassadors are kind of frustrated because they don't quite have the—they don't have the State Department relying upon them as much as the State Department used to rely upon them because the State Department and people here in Washington can sort of reach right through them and make decisions concerning what is going on in different countries without having to rely too much upon the in-country team.

The same thing is going to happen with the Defense Department—or is happening where the Defense Department is concerned, and it might explain, in part, why so much more is being done from a White House perspective as opposed to just relying upon the Secretary.

That is one observation. And it is a trend that is going to continue, and it is something that the committee is going to have to take into account in trying to figure out what the right balance and authorities would be.

The other is sort of a true confessions thing by me. I thought that Michèle was very generous to the committee in saying that the committee is well aware of all these problems and is trying to persuade the rest of Congress what Congress needs to do in order to right these problems.

That is true on the macro issue concerning funding, but it is not so true on the more micro issues associated with actual management of the Department.

The reality is that the committee is made up of characters like me. Why did I become a member of this committee? Well, I had a

military background, but my principal background when I came to Congress was finance.

And it would have been natural for me to get on the Financial Services Committee. That is where my expertise was. I had been in the military, and that is about it. You know, after that, I was doing other stuff.

Why did I become a member of the Armed Services Committee? Because it was good for my politics. Why was it good for my politics? It was good for my politics because the largest employer in my district happens to be Warner Robins air base.

And when I described what I had to do, what my job was, as a Representative elected from my district in middle Georgia, I was quite frank. I would say job number one for me is jobs for my district. And the largest job producer, you know, the largest number of jobs—the economy of the district is dependent upon Warner Robins Air Force Base.

So, in Congress, I had protect Robins Air Force Base as number one, grow Robins Air Force Base as number two. And that is true of most of the members on the committee. And we all know that is the case.

Mr. COFFMAN. Let me—let me throw in a question about that because—and I will ask concluding remarks when we wrap up.

Mr. MARSHALL. I am sorry.

Mr. COFFMAN. On the base realignment and closure process, I would agree with you that there is a surplus capacity and those are wasted defense dollars.

And the BRAC process, though, only looks at bases inside the United States. And so we are asking folks, you know, like Representative—former Representative Marshall, but that are on this committee today, that have those same economic interests to potentially close one of their bases.

At the same time, the BRAC process does not take into account overseas military operations where there are—where you have base housing, where you have all of the infrastructure supporting families, that could, in fact, be supplanted by rotational forces, by major joint military exercises.

Why shouldn't they be in the mix in the consideration in terms of the BRAC process?

Ms. FLOURNOY. The truth is, Congressman, that because we haven't had—the Department has not been able to execute any further BRAC rounds for several years, the primary base closures have occurred abroad. If you look at the posture in Europe, it has come down to something close to bare bones.

You look at the posture in Asia, this is an area where we say we want to put greater emphasis. Still, we have consolidated and closed bases there. Because the services couldn't touch domestic basing, so the only place they could take money out of infrastructure was overseas.

So I think if you looked at where overseas infrastructure has been from the end of the Cold War till today, you will see a very dramatic reduction in that that I think has—you know, has the potential to go beyond what is in our strategic interests. And so it is not that they—it has been off the table. It has been the only place where the services could cut for several years.

Mr. COFFMAN. But as somebody that has been deployed in those facilities, I think it is an archaic notion to—when we have the ability to do joint military exercises to demonstrate our commitment to our allies, when we have the ability to use rotational forces in the place of having these fixed permanent facilities, I just think that it is—that from a standpoint of equity to the American people, to districts that have large—that defense—that these bases are a big economic component of their district, I think from the standpoint of equity, they ought to be in the mix, they ought to be in the mix in terms of that.

Let me go to another issue, and that is that I think we have a dinosaur of a retirement system that is in the military, and I think that we can in fact come up with a new system that will better serve our military, better serve the taxpayers of this country, and grandfather in those who are currently on Active Duty with an option of coming in a new system if they want to. And I think that the new system would be part defined benefit, where you—you know, based on the number of years served, based on the rank you retired at, or maybe they would be vested after 5 years, just to throw that out, and then part 401(k), part like a TSP [Thrift Savings Plan] program for Federal employees, so I think you have those two component parts.

But I think if I were a young soldier again just enlisting in the military or even a junior officer when I was in the Marine Corps, that I would have opted for such a system, and out of the system that says, you have to be 20 years, and if you are anything less than 20 years, there is a prospect of you leaving the military with no retirement benefits whatsoever. I mean, I think that—unless, you know, Congress in a reduction in force agrees to do some sort of severance package, but that is not—that—there is no requirement for that. And so I would like your comment on that.

Ms. FLOURNOY. I think this is—you are absolutely on the right track, Congressman. I am hoping that the compensation review committee that you all put in place will report back with some strong recommendations in this area.

It is an area that we did not get into detail as the NDP, knowing that that compensation benefits committee was reviewing this, but the idea that 80 percent plus of our service men and women walk away with nothing because they don't make it to 20 years, to me doesn't sound like the right retirement system.

So I think there are changes to compensation and benefits that grandfathering in the commitments that we have already made, but going forward could be both more equitable and more cost-effective for the Department.

Mr. COFFMAN. Any other comments on that? Well, I would love to hear concluding remarks from each of you in terms of your observations of the process.

Ambassador, why don't we start with you.

Mr. EDELMAN. Well, I actually think, from my point of view, this was a terrific process. I think the Congress is well served by getting a second opinion on the QDR. And I think that the panel that we had, which was somewhat serendipitously chosen, because, of course, there—it is, you know, chosen by the chairmen and ranking members of the committees in the two bodies and then the SecDef

choosing two chairmen, you know, we ended up with a panel, I thought, that was extremely collegial, dedicated to looking at the problem of national defense, not—not only, as Secretary Perry said, in a bipartisan way, but in a non-partisan way.

And so I think the report that we were able to come up with, given the diverse backgrounds that we brought to this and diverse kind of political commitments of one sort or another, I think stands the Nation in good stead and I hope stands you and your colleagues in good stead.

Mr. COFFMAN. Ms. Flourney.

Ms. FLOURNOY. Well, thank you very much for this hearing and for the support for the panel's work.

We really tried to issue a call to action, and my hope is that this report will help to frame some of the debate and discussion for the new Congress to take action on some of these issues. We really cannot wait 2 years, 4 years, 6 years, 10 years, and so I hope that this will provide grist for your mill as you engage not only the members of this committee, but the other Members in this body to take action to align our investment in our military with our strategy and the leadership role we need to play in the world.

Mr. COFFMAN. Thank you.

Former Congressman, Jim Marshall.

Mr. MARSHALL. Thanks, Mike. I appreciate that.

It was a real honor and pleasure for me to serve on the committee—on the panel, rather, and I found it to be a group of very diverse, very well-informed, very well-intentioned people who recognized that we didn't have the time nor the analytical capability to do what really ought to be done where planning is concerned. So you see that the report intentionally stayed pretty top level, but it tried to offer language that could be used by Members of Congress for arguing the case for increased funding, which is critical. You have heard that repeatedly today, and I think everybody already knows that. But how do you persuade Congress this is the case?

Among the things that we observed in our report was not only was this a—it was a serious strategic misstep for a couple of reasons: one is obviously the force is weaker, not as ready, we are at higher risk, and at some point we are going to be at extremely high risk if we don't reverse this; the other is it makes no financial sense. The cuts were intended to somehow assist us where the bottom line is concerned.

Instability in the globe inevitably leads to poor economic performance here in the United States. Poor economic performance here in the United States drops our Federal revenue significantly. And you can go through the numbers. I have done this.

The bottom line is this is bad policy for a couple of reasons, one of which is it is not accomplishing what it is intended to accomplish, and so for that reason, those who are budget hawks should be interested in increasing the defense budget, because increasing the defense budget leads to greater global stability, given the reality that America really is the indispensable nation. It leads to greater global stability, which leads to greater global wealth, which leads to greater tax revenues.

I would also add, finishing up on the statement where I was trying to hog the microphone earlier, the structure of the committee is part of the problem with giving the Defense Department the kind of discretion that it ought to have, and it is because people like me don't want to take a chance that their base or their group of, you know, soldiers or troops otherwise, are somehow going to be adversely affected, and so we would rather just maintain the status quo by not having BRACs, by not giving management authority where it ought to be given, that sort of thing. So there is a structural problem here in the committee.

If you took the average Member of Congress and just made them—this committee full of the average Members of Congress as opposed to the Members of the Congress that have military issues that are politically very important to them, if you did that, I think it would be a lot easier to get things done. I don't know how structurally you get past the structural problem here, but you really do need to do that.

Solving the management issues, though, will not solve the budget problem. The top line's got to be increased dramatically.

And thank you for giving me the opportunity to say that.

Mr. COFFMAN. Thank you so much.

I thank all of you for—and those who did not testify and are here as well, thank you so much for your dedicated service to this particular process, and I hope it leads to fruitful results.

Thank you.

Hearing is adjourned.

[Whereupon, at 12:13 p.m., the committee was adjourned.]

A P P E N D I X

DECEMBER 2, 2014

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

DECEMBER 2, 2014

Joint Statement of Michele Flournoy and Eric Edelman
before the
House Armed Services Committee
Hearing on "Quadrennial Defense Review National Defense Panel"
Washington, DC, December 2, 2014
10:00 a.m. – 2118 Rayburn House Office Building

Chairman McKeon and Ranking Member Smith, thank you for this opportunity to appear before you and other members of this distinguished Committee to discuss the final report of the 2014 Quadrennial Defense Review (QDR) National Defense Panel.

As you know, the 2014 QDR National Defense Panel, which included 2 appointees of the Secretary of Defense and 8 appointees of Congress, and was facilitated by the United States Institute of Peace, had been asked to submit a written assessment of the QDR. We are here today as the designated representative of the co-chairs, former Secretary of Defense William J. Perry and General (Retired) John P. Abizaid, to discuss with you the Panel's report which was released on July 31, 2014.

Mr. Chairman, together we wrote an editorial for the Washington Post, titled "Cuts to Defense Spending are Hurting Our National Security," which was published on September 19, 2014. This statement reflects the position of the full panel and we refer to it as our statement for this hearing. We wrote:

This summer's dramatic global events — from the rise of the Islamic State, Russia's invasion of Ukraine, war between Hamas and Israel, violent confrontations and air strikes in Libya and continued tensions on the Korean Peninsula and in the East and South China seas — have reminded us all that the United States faces perhaps the most complex and volatile security environment since World War II.

This realization has led to repeated calls for U.S. leadership to sustain the rules-based international order that underpins U.S. security and prosperity. But scant attention has been paid to ensuring that we have a robust and ready military, able to deter would-be aggressors, reassure allies and ensure that any president, current or future, has the options he or she will need in an increasingly dangerous world.

The National Defense Panel, a bipartisan commission chartered by Congress and on which we have served for the past 13 months, concluded in its recent report that the Budget Control Act of 2011 was a "serious strategic misstep" that has dangerously tied the hands of the Pentagon leadership, forcing across-the-board "sequestration" cuts in defense spending and subjecting the nation to accumulating strategic risk. The commission's report concluded that, without budgetary relief, the U.S. armed forces soon will be at high risk of not being able to accomplish the national defense strategy.

The provisions of the Budget Control Act and sequestration have already precipitated a readiness crisis within our armed forces, with only a handful of Army brigades ready for crisis response, Air Force pilots unable to fly sufficient hours to keep up their skills and Navy ships unable to provide critical U.S. security presence in key regions. Although last year's congressional budget deal has granted some temporary relief, the return to sequestration in fiscal 2015 and beyond would result in a hollow force reminiscent of the late 1970s.

The U.S. military is an indispensable instrument underpinning the diplomatic, economic and intelligence elements of our national power: It keeps key trade routes open, maintains stability in vital regions such as the Persian Gulf and sustains alliances that serve U.S. and global interests.

That's why the National Defense Panel urged — and we reiterate today — that Congress and the president repeal the Budget Control Act immediately, end the threat of sequestration and return, at a minimum, to funding levels proposed by then-Defense Secretary Robert Gates in his fiscal 2012 budget. That budget called for modest nominal-dollar increases in defense spending through the remainder of the decade to stabilize the defense program.

The report argues that, to meet the increasing challenges of the deteriorating international security environment, the U.S. military must be able to deter or stop aggression in multiple theaters, not just one, even when engaged in a large-scale war. This requires urgently addressing the size and shape of our armed forces so they can protect and advance our interests globally and provide the war-fighting capabilities necessary to underwrite the credibility of the United States' leadership and national security strategy.

Whether confronting the threat of the Islamic State or reassuring allies in Asia, the president must have options, and the Defense Department needs the flexibility to provide the best alternatives that secure our interests. In particular, the Pentagon needs relief from the budget cuts of the past few years and from limitations on its authority to make judicious cuts where they are most needed and least harmful to our security. This would allow further savings through modest cuts to the rate of growth in already generous military compensation and benefits, further reforms in the acquisition of equipment and materiel, elimination of an estimated 20 percent excess in military infrastructure such as bases, and reductions in overhead and the burgeoning civilian and contractor defense workforce.

These savings and additional budgetary resources must go toward investment in critical capabilities, such as long-range strikes, armed unmanned aviation, intelligence surveillance and reconnaissance, undersea warfare, directed energy, cybersecurity and others that will safeguard our continued military superiority.

The threat of sequester was never meant to be carried out. It was supposed to be a "sword of Damocles" ensuring that lawmakers would reach an agreement on

ways to cut the federal deficit. Those efforts failed, putting the defense budget on the chopping block and holding our nation's security hostage at a particularly dangerous moment in world affairs. As a new Congress is elected and we enter another presidential election cycle, our nation's leaders will need to examine the National Defense Panel report and explain to voters how they intend to address its recommendations. The stakes could not be higher.

Mr. Chairman, thank you for the opportunity to appear before you today. We welcome your questions and input regarding the 2014 Quadrennial Defense Review National Defense Panel.



Michèle Flournoy is Co-Founder and Chief Executive Officer of the Center for a New American Security (CNAS).

She served as the Under Secretary of Defense for Policy from February 2009 to February 2012. She was the principal adviser to the Secretary of Defense in the formulation of national security and defense policy, oversight of military plans and operations, and in National Security Council deliberations. She led the development of DoD's 2012 Strategic Guidance and represented the Department in dozens of foreign engagements, in the media and before Congress.

Prior to confirmation, Ms. Flournoy co-led President Obama's transition team at DoD.

In January 2007, Ms. Flournoy co-founded CNAS, a non-partisan think tank dedicated to developing strong, pragmatic and principled national security policies. She served as CNAS' President until 2009.

Previously, she was senior adviser at the Center for Strategic and International Studies for several years and, prior to that, a distinguished research professor at the Institute for National Strategic Studies at the National Defense University (NDU).

In the mid-1990s, she served as Principal Deputy Assistant Secretary of Defense for Strategy and Threat Reduction and Deputy Assistant Secretary of Defense for Strategy. She has received several awards from the Secretary of Defense and the Chairman of the Joint Chiefs of Staff.

Ms. Flournoy is a member of the Defense Policy Board, the Council on Foreign Relations, and the Aspen Strategy Group, and a Senior Fellow at Harvard's Belfer Center for Science and International Affairs. She serves on the boards of The Mitre Corporation, Rolls Royce North America, Amida Technology Solutions and The Mission Continues, and is a Senior Advisor at the Boston Consulting Group.

Ms. Flournoy earned a bachelor's degree in social studies from Harvard University and a master's degree in international relations from Balliol College, Oxford University, where she was a Newton-Tatum scholar.

Eric S. Edelman**Member, Board of Directors
United States Institute of Peace**

Ambassador Eric S. Edelman retired as a career minister from the U.S. Foreign Service on May 1, 2009. He is currently distinguished fellow at the Center for Strategic and Budgetary Assessments, a visiting scholar at the Philip Merrill Center for Strategic Studies at the Johns Hopkins University and a senior associate of the International Security Program at the Belfer Center for Science and International Affairs at Harvard University.

Edelman has served in senior positions at the Departments of State and Defense as well as the White House where he led organizations providing analysis, strategy, policy development, security services, trade advocacy, public outreach, citizen services and congressional relations. As the undersecretary of defense for policy (August, 2005–January 2009) he oversaw strategy development as DoD's senior policy official with global responsibility for bilateral defense relations, war plans, special operations forces, homeland defense, missile defense, nuclear weapons and arms control policies, counter-proliferation, counter-narcotics, counter-terrorism, arms sales, and defense trade controls.

He served as U.S. ambassador to the Republics of Finland and Turkey in the Clinton and Bush Administrations and was principal deputy assistant to the vice president for national security affairs. In other assignment he has been chief of staff to Deputy Secretary of State Strobe Talbott, special assistant to Undersecretary of State for Political Affairs Robert Kimmitt and special assistant to Secretary of State George Shultz. His other assignments include the State Department Operations Center, Prague, Moscow, and Tel Aviv, where he was a member of the U.S. Middle East delegation to the West Bank/Gaza autonomy talks.

He has been awarded the Department of Defense Medal for Distinguished Public Service, the Presidential Distinguished Service Award, and several Department of State Superior Honor Awards. In January 2011 he was awarded the Legion d'Honneur by the French Government.

He received a bachelor's degree in history and government from Cornell University and a doctorate in U.S. diplomatic history from Yale University.

