



February 16, 2009

Letter from Washington

Since the inauguration almost a month ago, President Obama and his staff have been focused on the economy, and creating and ramming through a mega-billion dollar stimulus package. That package, which approached US\$800B received a total of three Republican votes out of the 535 cast, so the post-partisan era that the Obama election was supposed to usher in has apparently not yet quite arrived.

The Republicans are following a high-risk strategy, in which they are wagering that the economy will be worse two years from now, not better, and that they will be swept back into power by a wave of voter discontent. While many of the Republicans who voted against the stimulus bill did so out of conservative fiscal principles, they will be seen as placing a bet against America regardless of the outcome.

Now that the bill has been passed, the administration can begin to turn its attention to defense strategy and policy, and crafting a budget that will bring the acquisition policy in line with the new view of the world.

It would be easy to say that the new appointees have just not been in town long enough to have created any trends. That's true to a point, but in reality the key security team players have been around for a long time, in various roles and have a definitive audit trail. The only genuine newbie in the bunch is Obama himself.

Throughout the campaign, Obama was something of a political mystery; he was not required to make tough leadership and executive decisions, and people could read into him what ever they wanted. His initial few days as president, though, have given the first hints of how he will run his administration, and the indications are that he will be more about pragmatic problem solving than hard-core ideology.

Changes of administration in Washington are a lot like changes of ownership in the corporate world. Reagan to Bush One was a friendly takeover --- many of the incumbent political appointees down to the Deputy Assistant Secretary level were retained, at least for the first year or so. Bush One to Clinton, and Clinton to Bush Two were hostile takeovers. None of the

appointees were retained, and the new people were lucky if the keys to their offices were passed along, much less any continuity in policy.

In the security team the primary player is the Secretary of Defense, Robert Gates. As you know, Gates is a holdover from the Bush administration, and the only reason he was held over is because he is really good. Like his predecessor, he is a good Washington bureaucratic player, but unlike SECDEF Rumsfeld, who often confused the process and the end result, Gates is a pragmatist, more driven by results than ideology. How else can you explain a Secretary of Defense who could be a consummate team player for the Bush administration --- more than that ---he actually brought adult supervision to the program. But he can also intellectually rationalize joining the team of the man who ran against most of the policies that Gates himself developed and supported.

Next on the team is the wildest wild card --- Hillary Clinton. Like Obama himself, she really doesn't have much of a track record as a Senator on the key foreign policy issues. She voted for the Iraq war, unlike most of her Democratic colleagues, but that was largely a political calculation by an aspiring presidential candidate rather than an act of conviction. Obama made a very shrewd calculation in appointing Hillary Clinton to a key role in the administration. He has neutralized her as a possible challenger in the 2012 election, and given her a stake in defending his administration. As Lyndon Johnson once added his Texas interpretation of the "keep your friends close" adage, "I'd rather they was in the tent pissing out than outside the tent pissing in".

The final member of the team that we'll take a quick look at is General Jim Jones, the National Security Advisor. In the US presidential system the role of the National Security Advisor is to coordinate the efforts of the National Security apparatus which includes Defense, State, Homeland Security, and the Intelligence Community. The NSA is responsible for coordinating the efforts but without having any line management or budget authority over those various agencies. The US system is supposedly built upon an elegant set of checks and balances that our founding fathers developed over 200 years ago. In reality it is based on a set of contradictions that are rarely challenged, and depend in large part on the good will and good intentions of the incumbents. Jim Jones is a former Commandant of the Marine Corps and NATO commander. He is an internationalist with an unusual appreciation for diplomacy for a Marine.

All three of the national Security principals have expressed an appreciation for "soft power", which is a euphemism for peddling the American brand by other than military means. Even Gates has acknowledged that military power has its limits, and that America cannot always brute-force a solution, even when it wants to. In her confirmation hearings Secretary Clinton coined the phrase "smart power" for revitalizing diplomacy and promoting American values and interests by other than military means.

Amazingly Clinton and Gates are actually coordinating the transfer of some DoD assets and functions back to the State Department, a very rare occurrence when one department willingly cedes turf to another. DoD has an ulterior motive in wanting to get rid of some of the stabilization and reconstruction functions that were traditionally State programs before Iraq, but they have a willing partner in Clinton wanting to recover lost territory.

And if you still need any more evidence that things are changing, Adm. Mike Mullen, chairman of the Joint Chiefs of Staff, said earlier this month that "it's too easy to hand off foreign policy problems to the well-organized, well-funded Pentagon, but that diplomacy is sometimes best left to diplomats." During a January address to the Nixon Center, Mullen said, "We should be more willing to break this cycle, and say when armed forces may not always be the best choice to take the lead." In addition, he said "civilian agencies including the State Department deserve more money and support, because they can often do a better job of projecting American policy and ideas." Said the chairman, "When called, our military has served the role of ambassador extremely well, but our most effective ambassadors of peace in the future will not be those who wear uniforms, or bear arms. They will be our civilians."

If you want to know where real power will reside in Barack Obama's Washington, consider that his White House staff will include the following:

A former Treasury secretary and a former chairman of the Federal Reserve (Lawrence Summers and Paul Volcker); a man who once ran all allied forces in Europe and another who commanded all American forces in the Pacific (James Jones and Dennis Blair); a woman once in charge of the government's chief environmental agency and a man who strategized the Democrats' return to power in Congress (Carol Browner and Rahm Emanuel).

There's not a shy or retiring personality in that group, and their presence on President Obama's staff tells you that power will tilt toward the White House, not the cabinet secretaries who tend to get most of the attention during a transition.

As that suggests, we may not yet know the complete details of Obama's economic plan or his policy toward Iran, but we have learned a lot during the transition about the kind of president he will be and the kind of administration he will run.

The period has been instructive as much for what hasn't been said as for what has been said. Little has been said about "delegating power" or "cabinet government," phrases overused in past transitions to suggest decision-making would be decentralized so the president could save his time and focus his brain cells on just a few key items.

Instead, it is clear that the center of Barack Obama's administration will be Barack Obama himself. Beyond that, he intends to be not just commander in chief but communicator in chief, handling both the substantive and the inspirational messages, taking advantage of new communications technologies, and likely mixing it up with the press more than his predecessor did.

Internally, he will not be at the end of an information pipeline but in the middle of an information grid; his fight against government lawyers and security agencies to keep his own BlackBerry for personal and private messages is more than symbolic. His Vice President, Joe Biden, will be neither the all-powerful deputy that Dick Cheney was, nor the man with specific assignments, as Al Gore and Dan Quayle were. What role Mr. Biden actually will play is still an unanswered question, but he has described it as being "the last person in the room with the President when the difficult decisions are made".

There are, of course, other things we don't yet know about how the 44th President will operate. We don't know whether he will tend toward consulting with, or commanding his party in Congress. Was his failure to tell key senators about his intended appointment of Leon Panetta to head the Central Intelligence Agency a simple mistake or a calculated move not to hear their objections before making the appointment? Nor do we know whether his professed desire to work with Republicans will be real and personal, or distant and pro forma.

The most certain aspect of the administration is that its White House team will have more high-profile players than any ever assembled. That means Mr. Obama is continuing a trend toward concentrating power within the White House — as opposed to cabinet agencies around Washington — that has been taking place since the end of World War II.

The advantage for Mr. Obama is that a staff so populated with experienced figures allows him to exert more control over policy. There also are multiple risks: a proliferation of bosses can blur lines of command, and cabinet secretaries will resent interference from the White House, producing public power struggles. Also, a White House that seems to be calling the shots can't easily deflect blame when things don't turn out as anticipated.

So what can we expect in terms of defense policy and spending from the Obama White House and Pentagon?

The fact is that the new Obama administration, despite being more forward-leaning and more prepared than any other in recent memory, is still trying to figure out where the washrooms are in the White House. In the DoD, only the hold-over Secretary and top level appointees are in place, and the second and third tier appointees are just being nominated and have yet to go through the confirmation process. At best, they will start showing up for

work starting in late March and stretching out into the early summer. These appointees are not necessarily important to the policy process but they are critical to the budget formulation and execution process.

The bottom line then is that any incoming President in his first year has to rely upon the budget preparation process of the previous administration. In the situation this year, which I've previously described as a hostile takeover, the prepared budget will by definition *not* accurately reflect the priorities and policies of the new President.

The Defense Department will refrain from making any determinations on major acquisition programs until the Obama administration hammers out the framework for a new fiscal year 2010 proposal, a move that could delay decisions on big-ticket programs until early spring.

The Obama administration has transmitted to Congress a bare-bones outline of a fiscal year 2010 budget request as a placeholder for a detailed spending proposal that will follow by April.

There are a slew of important acquisition decisions with significant budget implications that need to be made in the next several months, including: how to proceed with the Navy-run VH-71 presidential helicopter program -- which is experiencing staggering cost growth -- and an important decision on the rate of production for the Joint Strike Fighter. A decision on extending production of the F-22A fighter program, and whether to seek additional C-17 cargo aircraft -- all will temporarily be held in abeyance but need to be resolved quickly.

Also on the agenda for early action is how to proceed with programs dogged by industry protests such as the aerial refueling tanker procurement effort and the combat search and rescue helicopter program, both of which the previous administration punted to the new.

So what all of this means is that the Obama administration just doesn't have the time, the manpower in place nor the policies developed to do anything more than tinker on the margins of the Bush FY-10 base budget. You don't have to be a defense guru to understand that there are of necessity going to be major program cuts and realignments coming, but they will be largely held over to the FY-11 budget process. FY-10 programs are essentially locked in place because of the inflexibility of the system, and when the FY-11 deliberations start to take place it will be in the face of the multi-trillion dollar bailouts that will have to be factored in, and will probably have grown larger.

Stay tuned. It's going to get interesting.