



August 26, 2010

Letter from Washington

In Washington, the dog days of the summer, when the weather is at its most sultry and stagnant, are traditionally slow news times. The Congress is in recess, the President is on vacation somewhere (more on this later), and very little of serious impact is either undertaken or still ongoing. Anyone who is able to leave Washington during this time of high heat and humidity usually does.

The term "dog days" goes back to Roman times, and denoted that time of the year when Sirius, the "Dog Star", the brightest star in the night sky, comes into conjunction with the sun. The Romans believed that the additional heat from Sirius compounded the sun's rays and was the cause of the uncomfortable weather. (*Author's Note: Indulge me. At this point I should attempt a weak pun regarding the Obama administration feeling "Sirius heat", but it's just too hot*).

This summer the usual pattern has not held true, and there have been some significant developments in August, both from a Defense budgetary standpoint as well as political.

First, Defense Secretary Gates has published a memo to the department (attached) that directs a number of cost reduction moves. Gates has been preaching for almost a year that the era of big defense budgets and annual growth is about to end, and that the department needs to position itself proactively. Coincidentally, the Congressional Budget Office published its forecast of the 2010 deficit at US\$1.3T earlier this month, adding some urgency to the Gates effort.

Congress will return from its recess, having heard the concerns of constituents regarding the economy, unemployment and deficits, and will be in a mood for large-scale cutbacks. The November mid-term elections will in large part be a referendum on the administration's handling of the economy, and the members will want to be able to show some progress to the voters.

Gates' effort is an attempt to get out in front of this wave, and to show that he is making serious headway in getting defense costs under control so that the Congress will focus on other departments.

In his August 16 memo Gates directs the department to do a number of things:

- Reduce by 10% each year for the next three years the funding for support contractors.
- Freeze OSD and COCOM billets at 2010 levels.
- Complete a study by November 15 that will review the organization and rank structure of major staffs with the goal of eliminating at least 50 flags and 150 Senior Executive Service positions.
- Eliminate the ASD for Network Integration and J-6 organizations.
- Conduct a zero-based study of DoD intelligence missions and organization.
- Eliminate the Joint Forces Command and Business Transformation Agency.

These fairly modest and low-return initiatives are the beginning of Gates' implementation of the 2-3% annual reduction in overhead that he promised last spring. By taking this high profile approach he is hoping that the Congress will not impose an across-the-board reduction on DoD, and will allow him to retain any savings within the department for reinvestment rather than applying them to deficit reduction.

Gates probably can face down the Congress on these issues, but it has been widely reported that he will leave his post in 2011. Whoever his successor, he will probably not have the credibility that Gates does on the Hill, and will have a struggle to chart the course for the department without Congressional micromanagement. The other likelihood is that threatened flag officers and senior civilians will slow roll the mandated changes and just wait him out before resuming business as usual.

Meanwhile, on the other side of town, things continue to go badly for the President and the Democratic Party. Perhaps to demonstrate conclusively that August is a slow news month, the early part of the month was dominated by breathless accounts of Mrs. Obama's Spanish vacation. The fact that she went (alone) to several very high end resorts, and appeared to be yukking it up with the European aristocracy while the US unemployment rate continues near 10%, allowed the Republicans to portray the Obamas as both out of touch and tone deaf to the appearance of the trip.

This was overshadowed when Obama allowed himself to be drawn into the local New York City argument revolving around the establishment of a Muslim community center (always referred to as a "mosque") within several blocks of the World Trade Center site. After making a fairly bold defense of the plan at a Ramadan observance in the White House, he was forced to backtrack almost immediately and in the process appeared weak and indecisive.

The whole subject of Obama's Muslim background and association has dominated the news over the past week with the revelation that 20% of the

population believes that he actually is a covert Muslim, not a practicing Christian, and is apparently playing out some Manchurian candidate scenario. That figure becomes 30% when the question is asked of registered Republicans. There are two aspects to these amazing statistics. First, it is easy for the White House to dismiss these numbers since apparently about 20% of the US population believes anything and everything (i.e., Those really are alien babies in the supermarket tabloids, Elvis is alive on the dark side of the moon, etc). Second, and far more problematic for the White House, these numbers have actually *increased* over the last year. Almost two years into his presidency Obama is still an unknown to many people, and the majority feels that it knows less about him and his beliefs now than when they voted for him in 2008.

Regardless of whether or not people feel they know him or like him, the real problem for Obama and the Democrats is the economy. The latest polling shows that 91% of likely voters believe that the economy is the biggest problem facing the country, with 41% approving and 56% disapproving of Obama's handling of it. Fully 60% believe that the country is seriously on the wrong track. These numbers portend a serious rout in November for the Democrats; with even the Senate in play now, and there is nothing that can be done in the next 60 days that will change it.