



June 9, 2015

Letter from Washington

Amazingly the United States used its soft power last week to bring about regime change in a despotic and autocratic government and the world mostly cheered. So far there have been no fatalities in the process of taking down FIFA, the football federation. After Iraq, Libya, Egypt and Syria the Obama administration might have actually gotten one right.

This month also saw the Congress give the President what he asked for, just not the way he wanted it. The President's Defense Budget Request asked for approximately \$530B in the DoD base budget. This amount exceeded the previously agreed budget caps contained in the 2011 Budget Agreement, and would have triggered the sequestration of funds that all sides have agreed are self-defeating and damaging.

The President found many members in agreement that the \$496B budget cap amount was insufficient to fund the department in the current threat environment. What he could not find, however, was the political will in the Congress to scrap the budget caps and reset the base budget higher without corresponding offsets.

On the Republican side, the deficit hawks held firm against the defense hawks, and the budget caps remain in place. The pro-defense wing got its wish to an extent by plussing up the Overseas Contingency Operations (OCO) account with the missing \$35B. That may seem like a reasonably elegant solution but it comes with its own set of problems.

First, the OCO does not count against the 2011 budget caps, so money added to this account will not cause sequestration to take place. This is good, but the OCO vehicle for additional funding was described by Secretary Carter as a "road to nowhere". His objection to using the OCO to circumvent the caps is that it is a year-to-year budget gimmick, and can't be relied on from a prudent and practical program management standpoint. Simply put, the managers trying to guide the larger programs especially can't be sure that the next Congress will also gift them with an additional \$35B or revert to the caps amount, or something entirely different. The major cause of program cost over runs in the DoD during the production phase is the managers having to revise downward the number of units procured each year, causing the unit price to go up sharply. In the view of the SECDEF then, the OCO plus up is a recipe for disaster.

On the Democrat side, the party is generally fine with additional funding for defense as long as it is accompanied by additional funding for the non-defense side of the budget as well. They are not willing to see defense plussed up at the expense of their core programs, repeating the same impasse that has resulted in the threat of sequestration remaining in place.

The President has told the Congress that they should fix the sequestration problem (conveniently forgetting that it was an Executive Branch construct in 2011), and do away with the budget caps. He has said that he would be inclined to veto the OCO defense budget and force the issue. This sets the stage for two things, neither good: a prolonged Continuing Resolution (CR) well into FY 16 and/or a government shutdown.

From his standpoint, the President would not at all mind a government shutdown. The Republicans always seem to take the blame for it, no matter how it comes about, and it would be a nice way to segue into the 2016 elections with the Republicans damaged. Having won both houses of congress in 2014 the Republicans are under considerable pressure to demonstrate that they can govern, so a shutdown would be a disaster for the party.

The President may not have to veto the Defense Appropriation because the Democrat leadership in the Senate has threatened to filibuster the bill, which under current Senate rules would require 60 votes to end. That would require six Democrats to break with the party and join the Republicans in shutting off debate, not a likely scenario.

Overlaying the legislative issues in getting a defense bill passed and a federal government funded, four of the Republican Senators and one quasi-Democrat are running for President. This injection of Presidential politics into the legislative process will undoubtedly prove disruptive, as it has already with the reauthorization of the Patriot Act.

With the 2016 Presidential election over 500 hundred days in the future, the field is already packed on the Republican side with close to 20 declared candidates, drawing comparisons to a circus clown car. Some of the candidates are running vanity races and have no hope of getting the nomination, and are there only to burnish their brand for the future. There are six or eight serious and plausible contenders, representing every wing of the Republican Party from ultra-conservative to libertarian to northeastern liberal. The opportunity for an open and serious discussion on the direction and future of the party is there, but with such a large field the candidates will be forced to play to their specific constituencies since 10% of the vote could win a primary.

Hillary Clinton was supposed to cruise to the nomination for the Democrats without serious opposition. She has a mounting series of issues without good explanations, and thus far has refused to subject herself to the press.

Her polls are diving and it's not clear how long that strategy will work. Meanwhile, each day brings some new revelation regarding the Clinton's family charity, which appears to primarily benefit themselves and their loyal retainers. The appearance of impropriety and conflict is overwhelming and will have to be addressed before too much longer.

The Clintons have always had a contentious relationship with the press, going back to Arkansas in the 1980's, and her disdain is palpable. One keen observer noted that Mrs. Clinton is not so much running *for* President as she is running *as* President, staying above the noisy snake pit of political media coverage and only acknowledging it when absolutely necessary and in highly controlled circumstances.

Her candidacy is based on a logical disconnect which her supporters do not seem to mind. She says that she is the candidate who has been in the system for so long that she knows how to tame it --- how to knock heads and make everyone bend to her will. However, one of her basic principles is to "get the money out of politics"(coming from a Clinton that's a real howler), and to reverse the Supreme Court's Citizens United decision, which removed many of the limits on campaign money. If she is the only one who knows how to navigate this system and make it work, why would she want to change it and make herself ineffective?

Mrs. Clinton, of course, is not the only politician capable of holding two conflicting thoughts at the same time. The President himself seems to be able to continue to manage the contradictions inherent in his quest for an Iran nuclear program deal. One by one his absolute requirements and firm positions have bent and fallen away, and it is not clear at this point, supposedly three weeks away from a final deal, whether he will stand firm on anything. Deadlines have been extended before, but usually in the face of progress being made.

The President is being increasingly boxed in on his domestic priorities as well as his international efforts, and has to rely on the courts to uphold the executive actions he took to circumvent the Congress. His attempt to legalize millions of undocumented aliens by decree has been stayed by a federal appeals court and will probably have to be resolved by the Supreme Court, sometime after he has left office. Likewise, his signature achievement, the Affordable Health Care Act, is awaiting a Supreme Court decision within the next few weeks that could strike down one of its key elements, making it unworkable. Finally, his key environmental actions regulating power plant emissions in the interests of climate change are also being held up by legal challenges that will not be resolved quickly.

Internationally, things are no better. ISIS continues to make progress against the hapless Iraqi army, causing the SECDEF to wonder out loud if that institution had lost the will to fight. One analyst, MIT's Barry Posen, does the math and concludes the Iraqi army no longer exists. On paper there

were 14 Iraqi divisions in 2013. Three to five of those were lost in the fall of Mosul, which should have left nine divisions to defend Ramadi. The one Iraqi division in place in Ramadi bugged out hastily in the face of ISIS coordinated attacks but was never reinforced by the central government, leading Posen to theorize that the Iraqi Army has largely evaporated. Why else would Shiite militias have to be employed if there was an effective Iraqi army to call on?

The task for the US that the President chooses not to acknowledge is that "training the Iraqi Army" actually means rebuilding it from scratch. There are a number of measures that could be taken to bolster the remaining bits of the army, but they would require adding more Americans to the mission and putting them closer to danger.

Many Americans, both Democrats and Republicans, follow the President's line of thinking that Iraq is a sovereign country and will have to defend its own interests, and the political leadership will have to commit to the task. The basis of this argument is that the United States has only a minor interest in the eventual outcome. What the President can't explain is that if we are willing to expose American lives in an air campaign and ground training role in the defense of Iraq, then US interests are vital by definition, and the commitment that is lacking is from the US as much as the Iraqis.

As usual the President employs the min/max straw man argument against adding any more forces, framing the choice as between continuing the unguided and unfocused air campaign or reinvading Iraq with 100,000 US troops.

The President is playing for time, in effect hoping to run out the clock without ever having to come to grips with the larger issue of how to defeat ISIS rather than just contain it. Since containment is clearly not working, events may finally force him to take a more aggressive stance and not just drop the bag of worms in the lap of his successor.

Ironically, after countless lives, a year since the fall of Mosul and billions of dollars spent, the President announced at the G-7 summit this week that the Pentagon was formulating a "plan to develop a strategy" for Iraq.