The Fiscal Year 2022 Defense Budget and Future Options for the Pentagon

BY

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I. Introduction

Chairman Smith, Ranking Member Rodgers, distinguished members of the committee and staff thank you for inviting me to testify today on the Fiscal Year (FY) 2022 Defense Budget.

My remarks draw on a new Center for a New American Security (CNAS) report released today that I co-authored with Becca Wasser and Jennie Matuschak that examines the linkages between the next national defense strategy, force structures, and resources.¹

II. Fiscal Year 2022 Budget: Goals and Resources

It is important to remember that the Biden Administration’s FY 22 defense budget is largely an inherited one. The Pentagon’s new leadership had a limited amount of time to make adjustments in a few key areas.²

The defense topline of $715 billion is higher than former President Donald Trump’s $705 billion FY21 budget request, but lower than Trump’s planned ask of $722 billion for FY22. When adjusted for inflation, President Biden submitted a flat defense budget request.³

While the Biden administration’s overall approach to foreign policy seeks to deemphasize the military as the preferred instrument of power⁴, it does appear to maintain the Pentagon’s focus on from great-power competition. It continues to consider China, and to a lesser extent Russia, as the primary threats. According to Secretary of Defense Lloyd Austin, the budget is focused on meeting the Department of Defense’s (DoD) pacing challenge, China.⁵ However, the Biden administration seeks also to manage persistent threats, such as rogue states and terrorists, while also elevating climate change and biothreats to priority challenges. Defense officials claim that the FY 22 budget “is biased towards [the future] operating environment,” and seeking to maintain a credible deterrent by outpacing the advances made by competitors, but that “it strikes an appropriate balance between preserving present readiness and future modernization.”⁶

There are however signs in the FY 22 budget that the next national defense strategy might not sufficiently prioritize deterring great power aggression, which entails developing a military force capable of defeating a conventional attack while strengthening strategic stability. An approach that fails to focus on this primary challenge would be deeply problematic for American security—both now and in the future—because the Pentagon cannot continue to try to do everything. Absent significant changes to the U.S. force structure, considerable investments in emerging technologies, and the development of new operating concepts, the U.S. military could lose a war against a great power.⁷ For too long the Pentagon has ignored this problem and as a result the U.S.’s military edge is eroding. The DoD needs to emphasize much more strongly the roles and functions associated with the most challenging and consequential threats we will face in our current and future operating environment, which is deterring great power aggression.

In an example of an unfocused approach to defense the Fiscal year 22 budget tries to simultaneously fund advanced capabilities to counter China and Russia, sustain a high level of readiness, and maintain Service end strength. The balance between modernization, readiness, and capacity suggests that the administration is trying to do too much with too little. There are serious risks with this approach. Addressing today’s needs will likely continue to prevent investments in the capabilities needed for tomorrow. And as the military tries to do more with less, it may find itself doing everything, but doing few things well.


Despite the strategic priorities laid out by the Biden administration and initial indicators provided by the DoD, it is unclear how the next National Defense Strategy will handle two critical issues. The first is the prioritization of
threats—will the DoD explicitly prioritize China (and secondarily Russia) over other challenges or will it hedge and fail to set clear priorities among the expanded list of challenges detailed in the Interim National Security Strategic Guidance? There is bipartisan consensus that China is the pacing challenge while also a widespread recognition that a revanchist Russia seeks to disrupt and weaken the U.S.-led international order. But the Biden administration has highlighted transnational threats such as pandemics and climate change as a top concern. It remains to be seen whether the next NDS privileges the military demands of great power competition above all else or whether it will seek to more evenly balance against several challenges and hedge against future uncertainty and by seeking to cover down on everything, wind up prioritizing nothing.

The second unresolved issue involves the primary role for the DoD and the level of urgency associated with the China challenge. Should the U.S. military compete below the threshold of armed conflict today? Or should the Pentagon focus on strengthening deterrence by denial by building a future force capable of defeating a great-power adversary in a large-scale war? There is considerable disagreement within the national security and defense community about the type of threat that China poses, when the military threat will mature, and how to best deter Beijing.

The 2018 NDS highlighted China and Russia as the predominant threats and prioritized great-power competition and preparedness for potential future conflict against another great power. It also created “the great power war” force planning construct, which required having sufficient capability and capacity to win a conventional war against one adversary by defeating aggression in a contested environment. In particular, the 2018 NDS espoused a theory of deterrence that depended on “rapidly delaying and degrading or ideally denying China or Russia’s ability to impose the fait accompli on, for instance, Taiwan or the Baltics.” This force planning construct sought to rectify force structure deficiencies and shift from retaining capacity for current operation to developing the right capabilities in sufficient quantity to win a future great-power conflict.

To date, the results of the 2018 NDS have been varied at best, but some long-term changes to force structure and posture to prepare for great-power conflict have emerged, albeit fewer than one may have hoped. In part this is because while the 2018 NDS clearly prioritized high-end deterrence, it also stressed the “reemergence of long-term strategic competition” with China and Russia. Identifying competition as a priority mission while not clearly defining it enabled different parts of the DoD to justify their preferred programs and activities by tying them to this more ambiguous and expansive concept of rivalry. Using the term “great-power competition” helped awaken the DoD, and the U.S. government more broadly, to the wide-ranging actions that China and Russia are taking to challenge American interests. It also broke the United States out of the mindset that there is a binary and clear distinction between war and peace. Yet the insertion of great-power competition also created a broad and highly unclear mission for the DoD that contended with preparing for high-end conflicts with China or Russia.

IV. Three Strategies and Force Structure Options for the Biden Administration

Our analysis suggests that there are three general approaches for how the Biden Administration might contend with the near-term challenge of competition and the longer-term challenge of potential future conflict with great power adversaries.

In one camp, there are those who focus on the near-term threat posed by China and the need to compete with Beijing daily in the contested waters and airspace of the Indo-Pacific. This perspective emphasizes that Chinese military and paramilitary forces are challenging the U.S.-led international order daily in the East and South China Seas while remaining under the threshold of major war. If the U.S. fails to contest these routine gray zone tactics, proponents of this approach argue, China may try to seize more disputed features through subconventional aggression. Ultimately, if left unchecked China could control the waters inside the first island chain by intimidating and dominating its neighbors—perhaps without even firing a shot. Moreover, a U.S. failure to act could embolden Beijing to invade Taiwan or declare a maritime exclusion zone in the South China Sea. Some believe that the risk that China might try
to forcibly unify with Taiwan is growing and that within six years the People’s Liberation Army believes that it will have the capability to successfully invade Taiwan.¹⁹

As a result of the urgency of the threat, a strategy focused on the day-to-day competition with China would prioritize capacity and current capabilities over long-term modernization.²⁰ Forward presence is a key component of this strategy, as it demonstrates the United States’ ability and willingness to contest Chinese and Russian sub-conventional aggression. This, in turn, is alleged to strengthen conventional deterrence. This strategy option opposes efforts to divest of existing weapons systems in the absence of ready replacements and therefore favors more incremental upgrades to existing forces.

In another camp, there are those who insist that U.S. forces must be able to defeat a fait accompli, which requires preparing to win a high-end conflict.²¹ Significant changes need to be made to the current U.S. force structure to build a force optimized for a conventional great-power war. A high-end deterrence strategy recognizes that absent extensive changes to joint force capabilities, posture, and operational concepts, the U.S. military could lose its military-technological edge and perhaps a large-scale war against a great power.²² Proponents argue that the U.S. military would be unable to effectively conduct key wartime missions in what is an increasingly contested and degraded battlespace. The risk that deterrence fails and China aggresses grows over time as the People’s Liberation Army (PLA) fields more advanced military capabilities. The risk of war is most acute in the medium to long-term when it is argued the PLA would have a significant local advantage over the U.S. military in the Western Pacific.

Under this strategy, the Pentagon would need to retire older weapons that are increasingly costly to operate and contribute little to success in winning a modern great power war. Freeing these resources will allow the Pentagon to invest in future capabilities that would increase its warfighting power in high-end contingencies. The overall size of the force would shrink, and the DoD would divest of weapons that are not critical to fighting a war against China or Russia. Consequently, such a high-end deterrence strategy emphasizes research and development in advanced technologies, such as robotics, artificial intelligence, and hypersonics, to ensure the U.S. military’s long-term military technological advantage, while making some limited improvements in posture and near-term capabilities to reduce immediate risks.

The third and last approach is one that attempts to balance the ability to compete today and win the fight tomorrow without tilting too far in one direction. This approach most closely resembles the implicit course laid out by the Biden administration. It argues that because the future is uncertain, the U.S. must guard against other threats that may become more pressing than China. To accomplish this, the strategy would preserve much existing force structure and retain a reasonably high level of readiness across the joint force. In seeking to balance possible near-term challenges and the demands of a global great-power competition, this strategy still requires the modernization of both conventional and nuclear forces. A modest amount would be invested in advanced and potentially game-changing technologies, but resources would still be allocated to the equally important desire to field a large force that is capable of stopping opportunistic aggressors and hedging against future uncertainty.

V. What Does the FY22 Budget Indicate about the Pentagon’s Strategy and the U.S. Military’s Future Prospects?

At times there is a divergence between the stated strategy and where an administration is investing its resources. Since strategy is essentially about aligning ends, ways, and means, examining the budget helps to understand the revealed strategy, which may differ from the declared one.

Our analysis of the Fiscal Year 2022 budget indicates that the DoD is trying to do more than future budgets can support, seeming to be moving toward what we term as a strategy of “full-spectrum competition,” the third approach outlined above. The forces and posture that are necessary to handle daily competition are quite different from those that are needed to defend against a conventional fait accompli attack by China on Taiwan or Russia on the Baltics. It
is unlikely that the United States can build a force that can achieve both of these objectives within any credible topline budget.

In the research for our recently released CNAS report, we developed force structures linked to the three strategic options described above and tested their efficacy in a series of table-top exercises (TTXs) that covered the gamut of daily competition, subconventional territorial aggression, and large-scale conventional attacks.

We found that the full-competition strategy which most closely resembles the Biden administration’s current approach performs poorly against priority threats. This strategy fails at two key tasks: defeating a great power conventional invasion in Asia or Europe and at halting Chinese and Russian sub-conventional aggression. In addition to risking significant overstretch, this approach increases the likelihood that the demands of today supersede the needs of tomorrow, with the result of the U.S. military finding itself technologically outmatched in the future.

Even if the Pentagon prioritizes China and competition, it does not improve its ability to defeat key threats. The strategy optimized for day-to-day competition would also lose a high-end conflict in East Asia and Europe and fail to halt or overturn subconventional land grabs. The competition strategy bets that a large and visible force that actively contests daily military provocations will deter both sub-conventional and conventional aggression, even if the force is not capable of stopping either type of attack. The risk that this assumption fails grows over time because this strategy forgoes investments in advanced technologies, while China and Russia are rapidly seeking to wrest the military technological advantage from the United States. There are also significant escalatory risks associated with an approach that regularly and assertively contests Chinese and Russian forces. We conclude that it is unlikely that competition can be won by the military, even one optimized to face this challenge.

More optimistically, our analysis suggests that it is possible to build a force capable of winning one big conflict and overturning subconventional aggression with this topline—but only if the department is willing to accept some near-term risk in competition, against other threats, and in other regions. A high-end deterrence strategy mitigates the temporal risk by making near-term improvements in combat capabilities, including expanding stockpiles of preferred long-range munitions, investments to improve the resiliency of U.S. posture in the Indo-Pacific and Europe, and additional investments in cyber and electronic warfare capabilities. It also relies on frontline allies and partners to be responsible for the daily competition.

**VI. Looking Ahead to the 2022 NDS and FY23**

It is important to return to the fact that the FY 22 budget is largely a legacy one and the Pentagon is currently developing the next NDS. The FY 22 defense budgets makes some significant investments that align with a high-end deterrence strategy, such as arresting the planned decline in research and development spending, buying more preferred long-range munitions, divesting of older weapons or those that are not useful in a high-end conflict, making limited improvements to the U.S.’s forward posture (especially in Europe), and in nuclear modernization.

For more than a decade, analysts have been warning the Defense Department that the U.S. military is losing its military technological advantage and that it could lose a war against a great power adversary absent significant changes to its force structure, operational concepts, and acquisition processes. Washington is in a long-term race with Beijing for military superiority and if it does not invest in modernization now, China may surpass it. Too much time has already been lost to further defer conventional and nuclear modernization. Now is time for the Defense Department to prioritize the future and make the hard choices, even if it means it cannot do everything and anything. More can be done to align the FY23 budget with a winning strategy of high-end deterrence and to begin to shore up the U.S. military’s position in the Indo-Pacific and Europe.

The Pentagon plans to fund modernization by “divesting to invest,” or retiring old or less capable weapons. Divestments are necessary to fund modernization, but alone they are not sufficient. The dual conventional and
nuclear modernization bill that is now due requires larger trades in the iron triangle of painful tradeoffs among capacity, capability, and readiness.\textsuperscript{24}

Because military personnel costs are growing more than the overall budget, they reduce the resources available for modernization.\textsuperscript{25} Shrinking the size of the active duty force not only reduces these increasing expenditures, but it also lowers the readiness bill because there are fewer troops to be trained.

But this requires one additional painful tradeoff, as the cuts to end strength would not be applied evenly across the services.\textsuperscript{26} Air and maritime capabilities are needed for a swift response to crises, and are central to operations in the Indo-Pacific, the likely location of a conflict with China. While ground troops make important contributions, they play a supporting role in this theater. Thus the Army would find itself as the bill payer with fewer active duty troops, while retaining the heavy units needed to defend Europe and robust guard and reserve components.

A smaller force is not without risk, particularly in the near-term, but it produces long-term benefits. Technological advances in areas such as autonomy and artificial intelligence are changing the nature of warfare in ways that will enhance the lethality of a smaller force with more unmanned systems.\textsuperscript{27} Moreover, this approach aligns with the administration’s preference to reduce the U.S. military presence in the Middle East. As wars end, the U.S. needs fewer troops to deploy for long-term operations. A smaller and less active military with fewer old weapons can reallocate resources to build a future force capable of deterring and, if necessary, defeating China and Russia. The U.S. would retain enough ready troops to respond to unforeseen contingencies, although it would be less able to conduct simultaneous or large prolonged operations.

For this approach to work, President Biden will need to be disciplined in how often and when he employs the military. This means a smaller presence to support Afghanistan and fewer punitive strikes against Iranian targets in Iraq and Syria.

The 2022 national defense strategy and the FY 23 budget will need to accept more risk and further prioritize to prepare the force for the most challenging and consequential threats and heed Secretary Austin’s call for “resources matched to strategy, strategy matched to policy.”\textsuperscript{28} If the Biden administration does not make these hard choices or if Congress chooses not to support this strategy, the chasm between U.S. strategic and military objectives and the costs of achieving them will only grow significantly, risking the United States’ military technological edge and ability to win a war against a great power.


\textsuperscript{3} For more on the fiscal year 22 budget priorities, see: Stacie L. Pettyjohn and Becca Wasser, “Making Sense of Cents: Parsing the U.S. Department of Defense’s FY 2022 Budget Request,” (Center for a New American Security, May 6, 2021), https://www.cnas.org/publications/reports/the-skinny?x-craft-preview=7F1Tce0LJQ&token=7eDZiX1BMii8k3Lj2GmT6dLe56d74H.


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