

Featured Discussion

With Secretary Jim Mattis and Secretary Leon Panetta,
Moderated by Secretary Condoleezza Rice

SECRETARY CONDOLEEZZA RICE: Well, I am delighted, first of all, to welcome all of you to this wonderful conference. I hear it's been going great. I want to thank Mike Boskin for the insight to bring us all together, and I also just want to welcome the many who have come from other places to be a part of this. Probably to my mind right now, this is a really important question: How do we think about the defense budget? How do we think about the relationship between the defense budget and what we need to do geostrategically as the most powerful country in the world with many different obligations?

Today, we've got two gentlemen here who have spent their time on the "Death Star," which is what, at the State Department, we used to call the Pentagon. And so, I'm going to have a chance to ask them a few questions and have them respond.

I'd then like to open it up for the last ten to fifteen minutes or so and have you ask questions. I'm a professor—I'll call on somebody if nobody asks the questions. So please get your questions ready. So let me just start with the following. You know Jim Mattis, secretary of defense. Leon Panetta, secretary of defense, and every other important job in government. And so, let me just start with the following. When you're in the jobs in the cabinet, you come out, and people say, "Well, did you enjoy that?" And you say, "That's not exactly the word that I would use, but it was fulfilling in the following ways." So I'm going to ask each of you to reflect a little bit on your time as Secretary of Defense. What was fulfilling? What was frustrating, and what does it say

The views expressed in this discussion are solely those of the individual participants and do not necessarily reflect the views of any organization with which they are, or have been, affiliated.

about the situation in which we find ourselves today? I'm going to start with you, Jim, a distinguished fellow here at the Hoover Institution.

SECRETARY JIM MATTIS: Well, I may be pausing for a minute about what I enjoyed most because it was an unusual president I served. I think we all recognize that. I'm making progress in my twelve-step recovery process, but there are things about serving at the Department of Defense that are always satisfying. One is who you get to serve with. Most of the people you serve with can go out of the Department of Defense and make a lot more money somewhere else. And a number of them are here whom I owe a great deal to for choosing to serve at a time when as one of my senior appointees put it, "General, we all know we're not coming into this administration to burnish our personal credentials." They were motivated by a sense of service, a sense of purpose. You're also serving alongside just some of the finest human beings our country develops in terms of a sense of commitment, devotion, and a real love of country.

Even if they were too modest to use those words, you know that sense of purpose was their underlying motivation. I think that sense of purpose permeated almost everything. Things on the Hill could be frustrating at times, as my friend Chairman Thornberry can attest. But the House and Senate Armed Service Committees, as well as the Senate Intelligence Committee, were very nonpartisan. The defense of our country is not partisan. You can go back to a very conservative Republican senator named Arthur Vandenberg from Michigan, who was once asked in a town hall meeting, "Why are you supporting this socialist Truman?" And he said, "Stop right there." He said, "Politics stops at the water's edge" in a time when many people in our country feel a partisan pull to one extreme or the other. That is not the case with the Congress. So, generally speaking, it was not frustrating to go up in front of the Senate or the House. They were rough on me at times, with good reason, sometimes not for a good reason, but it didn't bother me. And afterward, we'd always shake hands and remain civil.

And I think that that is a reason for optimism as we gather here today, thanks to you, Michael. What might appear to be a fallow field can actually become a fertile field where we can work together to find common ground. There's a gentleman who's mentored a number of us in this room, General Colin Powell; rest in peace. And he used to say, "Show me your budget, and I'll show you your strategy." General Powell was a genius at tying together a budget and a strategy. But I also found that the opposite could be true. If you put a coherent strategy together and explain it carefully, it will help you win

support for the budget you need. At the Pentagon, I put together the National Defense Strategy, which was informed by the broader National Security Strategy, which Nadia Schadlow was working on at the White House. I met with every key House and Senate member in both parties to explain what I was thinking and to get their input as well.

As a result, our National Defense Strategy was supported by 90 percent of congressmen and senators. That helped us immeasurably when the tough issues came along, as they always do. So there were frustrating moments, but as Churchill memorably said, “Democracy is the worst form of government, except for all the others.” It was a true honor to serve as the secretary of defense. It certainly wasn’t a job I was looking for. As a colonel, I’d been the executive secretary to Secretary Bill Perry and Secretary William Cohen back in the late-nineties, which truly helped prepare me for this assignment. We saw many of the problems coming with the centralization of the industrial base we’ve discussed today. And I’ll throw that same question over to the great secretary of defense sitting here.

SECRETARY LEON PANETTA: Thanks, Jim. Thank you very much. Thanks to Michael for putting this together, and thanks to all of you for participating in this effort to really try to look at the defense budget and look at the challenges that are out there and try to figure out how the United States can maintain the strongest military force on the face of the earth and address the crises that we’re facing in the world. I’ve been in public life in one way or another for over fifty years, and I’ve often said that I’ve seen Washington at its best and Washington at its worst. The good news is that I’ve also seen Washington work. When I first went back to Washington, I went to work for a senator from California named Tom Kuchel, a moderate Republican. And he was the minority whip under Senator Everett Dirksen.

There were a lot of moderate Republicans at that time. But more importantly, their role was to reach out and work across the aisle with Democrats. A lot of statesmen who were Democrats at the time as well on the issues that were important, still worked together. Did they have their political differences? Of course, but they worked together. And when I got elected to Congress, it was the same thing. Tip O’Neill was a Democrat’s Democrat from Boston, but he had a great relationship with Bob Michel, who was the minority leader. And again, they had their politics, but when it came to big issues, they worked together. They thought it was important for both parties to work together on principal issues, whether it was a Democratic president

or a Republican president. When Ronald Reagan was president, it's hard to believe we passed social security reform on a bipartisan basis. We passed immigration reform on a bipartisan basis. We passed tax reform on a bipartisan basis.

And so it was from my own experience, whether it was working on defense issues or other issues, a great part of it was the ability to work across the aisle and to work with those that obviously shared common concerns for the country. Obviously the last twenty or more years, Washington has become much more partisan and much more divided. There's a lot more polarization. When I became director of the CIA, I recognized that the most important thing I could do was to reach out to Congress to try to build a relationship because of the partisanship on so many other issues. I thought it was very important to build a strong bipartisan partnership on the Hill, so I spent a lot of time with the House Intelligence Committee and the Senate Intelligence Committee.

And I felt the same way when I became secretary of defense, that despite the polarization, despite the politics, despite everything that made Washington in many ways an ugly place to work, if you could reach out to the bipartisan leadership of both the House and Senate Armed Services Committees and the Appropriations Committees, that you could build a partnership and try to get some things done. Because there is no question that Washington works best when you can develop those kinds of relationships. My biggest task when I became secretary of defense was to figure out how I was supposed to cut \$500 billion from the defense budget. That's what I was handed because of the Budget [Control] Act that was passed by Congress. So I'm trying to figure out how to do \$500 billion in deficit reduction. And what I didn't want to do was simply make it a budget exercise where I said, "We're going to cut everything back by a certain percentage." I really wanted to use it as a positive experience to try to develop a defense strategy for the future.

And so, it was a great opportunity to sit down. I took the staff at the top level and basically said, "We are going to work our way through this with the military leadership and with the civilian leadership and basically work through the entire budget." And we looked at the strategies we wanted to emphasize to try to build the defense force for the twenty-first century. That was an important process within the Pentagon. The ability to be able to have the relationship to work on strategies, to have the military there and then to bring the President of the United States into that process so that the President would be part of that process. And that, for me, was probably the most rewarding part of being secretary of defense. It was the ability to kind of reach out to the key

players. And frankly, that's how democracy works best. Democracy is not a process where you can simply slam-dunk whatever you want. It doesn't work that way. You've got to reach out, you've got to build partnerships and you've got to make others understand why it's important to work together.

RICE: Thanks. I have a specific question, and then I want to come back to this question of strategy because, very often, the hardest thing to do is to align what you're going to spend with your strategy, particularly when you get unpleasant surprises in geopolitics. And so I'll come back to that, but let me just ask you a specific question, Jim. So, you took off your uniform and did this, and we've now done that again. Are there special challenges for someone who has been in uniform for that long, whose identity perhaps is as a military officer, and now our system is set up for the secretary of defense to really be the civilian representative of the defense within the National Security Council? Talk a little bit about that transition for you and maybe a little bit about [the current secretary of defense] Lloyd Austin since he's gone through the same transition.

MATTIS: Well, there are some military officers who probably should never be the secretary of defense, but perhaps there's some who could. It's also true that there are some civilians who shouldn't be the secretary of defense and some who could. So I don't think a president should be told, "You cannot pick a military officer." My time in the military helped me a lot to do that job. As I said, it also helped me having been the executive secretary to two secretaries of defense and sitting behind them at every one of their meetings, taking notes. I could even walk into the office on the first day and spin the combination on the safe, where you have to stick your classified gear at the end of the day. And they hadn't changed a thing since 1996 that I know of. But more seriously, I think that what I realized the first time they brought in the book of deployment orders is that I'd always been the one asking for forces, not deciding whether to approve the request.

I'd been leading troops in warfare, and whenever I needed this or that and I would make the request, and it would go to the secretary of defense. And when I was the person in the job and receiving the deployment orders to approve, I realized you get no real supervision as a cabinet officer other than congressional oversight, but that's not a day-to-day type of supervision. And I sat there looking at that book of deployment orders and was struck by the fact that not one air force squadron, not one army brigade, not one ship sails or

goes overseas without the secretary of defense, the civilian leader of the military, signing off. The book comes in about once or twice a week, and most of the time you're exchanging this unit for that unit, or a ship is going on patrol or for an exercise, or it's another routine movements of troops. And sometimes it is not at all routine. But in any case, I handwrote on a big five-by-eight card and put it on my desk. And it said, "Does this deployment contribute sufficiently to the well-being of the American people to justify their deaths?"

I didn't just mean sending them in harm's way, or that they might get hurt. In any deployment, however routine it might seem, troops could die. Can I look the mother and father, the young widow, in the eye and say, "This was worth it"? So I kept that card on my desk every day. This was something I'd never had to confront before as a military officer. I had a mission as a military officer, and I tried to do it. And of course we always tried to bring all the young troops home alive. As secretary of defense, I had to look at this through a new lens. I'd sign off on most of them, but once in a while I'd circle one and say, "Chairman of the Joint Chiefs, come see me on this one." And we would talk, and sometimes I'd sign, and sometimes he'd take the order back and say, "Let me go back and look at this one." This was the big change in going from my military jobs to becoming the civilian secretary of defense—now I was putting America's word on the line. We were putting their soldiers, sailors, airmen, coast guardsmen, and marines on the line. That was a shift; that was the biggest one.

RICE: That's great. So it's been said that planning is something that you're doing until life intrudes. And one could say strategy is something that you're doing until life intrudes. So, talk a little bit about how one builds a strategy, given that most of our military procurement is sort of long tail, but then you get those unpleasant surprises. Our unpleasant surprise was obviously 9/11, and you had to sort of remake the military on the fly. And that's a more dramatic example, but you get those all the time. So talk a little bit about strategy and flexibility, how you think about building a force given that the United States has worldwide responsibilities, and I'm sure it was the same for the secretaries. Is this the 9/11 of the world? Can you fix this? How do you think about strategy, defense, and flexibility?

PANETTA: Well, obviously, the ability to be able to have the Defense Department and our military respond to challenges that are out there in order to protect our national security is the fundamental mission of what you do at

the Department of Defense. And for that matter, my fundamental mission was to protect the American people. And for both positions at the time, 9/11 defined the period that we were in because there was no question that as a result of what happened in the attack on 9/11, this country essentially declared war against terrorism, especially those who were involved in the attack. So everything in the intelligence community was aimed at trying to determine just exactly where that enemy was, where they were located, and what they were up to. Our fear was that al-Qaeda was continuing to develop plans for another attack on the United States. And so the intelligence responsibility was to make sure that we were getting the intelligence we needed in order to make sure that that didn't happen again. And secondly, something I found out when I became director of the CIA was that I was, in essence, a combat commander. Because it was not just gathering intelligence, I was running operations against al-Qaeda's leadership, particularly in Pakistan.

And so intelligence was not only providing the information that policy makers needed, but we were also conducting operations against our enemy. And when I went to the Department of Defense, essentially, we were occupied in a war in Iraq, and we were occupied in a war in Afghanistan. And the reality is we went to war in order to make sure, number one, that we were going after those responsible for 9/11. And so I always felt our mission was very clear, that we had to go after terrorists who could attack the United States of America again. Number two, we wanted to make sure that they would never be able to find a safe haven again. And that's what brought us into Afghanistan: to try to make sure that Afghanistan would never again become a safe haven for terrorism.

So those were the missions, and that's what we were involved with. And I have to tell you, I'm very proud, and I think Jim is as well. I'm very proud of the capabilities that developed during that period. Not easy, but what we developed was an intelligence capability that worked with special forces, in particular, with the military, to create a real team approach to dealing with the mission we were involved with. And so intelligence identified targets, special forces went after those targets very effectively. I mean, essentially, we couldn't have done the Bin Laden raid, very frankly, with the SEALs if they had not done eight or nine raids a night in Afghanistan going after enemies. So the ability to work with the military and with intelligence was a very rewarding experience for me because it was protecting our national security. And the ability to make sure we were adjusting to the enemy we had to confront, that's, essentially, what happened with counterterrorism operations.

RICE: And in fact, it was a kind of fusion that I think people don't fully understand because it was military, it was intelligence, and it was also diplomatic. When we would go after a target in Pakistan, say in the North-West Frontier in Pakistan, you had the chief of station, the commander on the field, and the ambassador in the same room to assess all of the possibilities, so we got this incredible fusion. It seems to be, not forgetting that we may have to do that again, but it seems to be that we now have more traditional, let me call them that, military tasks when you think about China and the rise of China, or you think about what we're doing to support Ukraine. I don't know that any of us ever thought we were going to be in a ground war in Europe again. So, Jim, you were handed more of that world, it wasn't that counterterrorism was over, but talk about where you see us now in what is more of a great-power rivalry.

MATTIS: Right, and again, none of us are blank slates. We come into high office with our formative experiences. And we rightly, at this conference, we're looking at the problems—the warts—what can we do about them? How do we fix them? I will tell you I had six years as a four-star, including as the supreme allied commander in NATO, US Joint Forces Command, and US Central Command. And then I've had two years as secretary of defense. I don't know if there's anyone who's been in those positions for as long as I have who can say, "On not one strategic issue was I ever surprised thanks to our intelligence community. Not once." I know we've heard there are problems there too. And so, as I came back in the war against terrorism was becoming more moderated, but it was still going on.

You can declare a war over, as we heard earlier today, but the enemy gets a vote. They're still out there. It's an ambient threat. And the special forces and the CIA are very much committed to that fight. But on the great-power competition, I think nothing has been more heartening in this tragedy of Ukraine and the savage war that Putin has unleashed, than the use of intelligence by this administration.

Thanks to the most adroit use of intelligence I've seen in my forty-seven years of service, I think we are in a much stronger position to hold the Western democracies together.

PANETTA: I think we are living in a very dangerous world right now, and I know there's sometimes a tendency to focus on the problems we're having here at home, but the reality is we are in a dangerous world. There are

probably more flash points out there today than we've seen since World War II. Just look at the threats. We're confronting Russia, which is now wide open in terms of our confrontation with Putin in Ukraine. But clearly, Russia represents a threat to the United States and the world. China, obviously, we're dealing with Xi Jinping and his approach to confronting the United States and the rest of the world and trying to promote China at a difficult time within China itself, which makes Xi a little bit unpredictable, just as we've seen Putin is unpredictable. And then to have Kim Jong-un in North Korea, this crazy man who's got nuclear weapons and begging for attention from the rest of the world, and threatening to essentially launch a missile with perhaps a nuclear weapon on top of that missile. He represents a real threat to the United States and the rest of the world.

Add to that the threat from Iran and the reality that Iran could have a nuclear weapon pretty soon, based on what we know has gone on with enrichment and the instability that they would promote. And then, look at the Middle East and the failed states in the Middle East with Yemen, Syria, and Libya, which are now breeding grounds for terrorism. Terrorism remains, from my point of view, a continuing threat to this country. And then add cyber, the world of cyberattacks, and the reality that you can use cyber to basically paralyze our country. Almost every country now builds cyber into its military plans.

So you're looking at a lot of threats out there, and to the extent that we've now engaged with Russia by providing support to Ukraine, I don't think we can kid ourselves. This is a major war in the twenty-first century. Because what happens in Ukraine is going to define for the twenty-first century what's going to happen with democracies. I don't think we can afford to just sit back and somehow hope that things turn out right. We have got to make sure they turn out right. This is a critical moment right now. There's a stalemate that's developed in Ukraine. My view, from a military point of view, is there's no such thing as a stalemate. You're either winning or losing. And when you have a stalemate, it gives Russia the opportunity to dig in, reinforce, and develop a new offensive. This is a moment when we have to make sure that doesn't happen.

So, I think the ability to build our alliances. I mean, obviously, the NATO alliance is very critical to our ability to confront Russia in Ukraine. Our ability to deal with Xi requires that we build alliances in the Pacific and have that capability there. The same thing is true, I think, in the Middle East. So I think the challenge today is how do we take our military strategies and our military

capabilities and then combine them with our allies to make damn sure that our adversaries, wherever they are, cannot be successful. That's a big challenge. And I don't think, frankly, we've thought enough about the strategic approach for that kind of world.

RICE: Following up on that and bringing us back to the defense budget, that's the subject of this conference. Before I do that, though, I do want to just ask another question. As secretaries of defense, you also worked with allies. And I'd just like to have maybe just a minute on what's it like working with allies, and it is going to be a kind of different NATO now in some ways. Somebody said that Vladimir Putin had managed to end German pacifism and Swedish neutrality within a matter of months. We will see. But, comment on working with allies, and then we'll get back to the defense budget for our last few comments.

PANETTA: From my perspective, both as director of the CIA and also as secretary of defense, I have to tell you, working with our allies is incredibly important to our ability to get the job done. And look, I've gone to NATO conferences. Everybody in the old days sat down, you did talking points, and everybody went out and did their own thing. But I do think that's changed. I found it was really important to be able to build strong relationships with our strongest allies. Why? Not only because they worked with us if we were engaged militarily. Going back to Afghanistan, I have to tell you, our allies really did work with us in incredibly important ways to try to deal with the challenge there. And our ability to be able not only to work together, to fight together, but to share critical information. That's probably the most important thing I used to get out of those meetings, finding out what they knew that we did not know.

And understanding the world through their eyes, which by the way, from a diplomatic point of view, that's the most important thing we can do. It's not just going there and telling them what we want them to do. It's to go there and understand the world through their eyes and how they view their own security. And if you can do that, then you can really build a stronger relationship with our allies. Look, it's not easy to deal with all of our allies. They have their own interests, they have their own countries, they have their own security, and they have their own view of the world. And yet, the ability to reach out to them and be able to provide them the assistance and the training and the support systems that the United States can provide, I think, is incredibly

important to our ability to build that set of alliances that we're going to need in the twenty-first century.

MATTIS: I'd say it's the only way we're going to build that set of alliances. Winston Churchill had it right. He said, "The only thing harder than fighting with allies is fighting without them." It is hard. It's the trigonometry level of diplomacy and warfare. But at the same time, having fought many times, I've never fought in an all-American formation, not once. And there was a young national security advisor that talked to my class of brigadier generals and rear admirals, and I never realized Dr. Rice's finger was seventy-two inches long. She looked at us and said, "Remember, young generals, we do things with and through our allies, not to them." And she made the point very, very clearly, and it was something that we carried forward.

I had three major lines of effort as secretary of defense. One was to make the military more lethal so our diplomats were heard and respected. We wanted our adversaries to know that they did not want to get on the wrong side of the Department of Defense—we wanted them to listen to our diplomats. The second one was to reform the business practices so we could gain the trust of Congress and the American people. And I brought in people like Ellen Lord here, who knew what she was doing, having been a leader from industry. And the third major priority where I spent 80 percent of my time was building the number of allies and deepening their trust. Those were the only priorities I set for myself during the twenty-four months, three days, twelve hours, and fourteen minutes I was secretary.

RICE: But who's counting, right? So Leon described a world that I think we all see, but that means staying power for the United States. And I want to ask you about three aspects of the defense budget, the defense apparatus, just to get your comments: the recruitment of people, the all-volunteer force, and the procurement process. One of the issues that we have here in the valley is these small companies will tell you, "I don't have time for the Defense Department RFPs [request for proposals]. My company will have gone out of business by the time you've hired me." And the third is something we don't talk enough about, the defense industrial base, which is showing some cracks as we have been running through equipment pretty quickly in Ukraine. So just briefly, those three aspects: people you have to have, the procurement process, and the defense industrial base if, in fact, we're getting ready for a long engagement, not one that's ephemeral.

PANETTA: I'm concerned about the people that we need to have in the military. And look, I know we've had a strong volunteer force. And frankly, we had some great men and women in uniform who were out there fighting in Iraq, Afghanistan, and elsewhere around the world. Really first-rate people. I've been there, just like Jim's been there. Looked into their eyes, and I can't tell you how important it was to see young men and women who were committed to protecting the country, putting their lives on the line in order to protect the country. Duty to country. I'm worried about that aspect today, and I teach young people at the Panetta Institute, just as Condi teaches, and Jim teaches young people here. And I sense that their sense of duty to their country isn't where it needs to be.

I believe that, ultimately, we need a national service system in this country. I think, frankly, every young person ought to spend two years giving some kind of service back to this country, whether it's in the military, whether it's in education, whether it's in health care, I don't care. But I think we've got to restore that sense of duty to country. Now, I think that the army, the navy, the marine corps, and others are going to have to reach out. They're going to have to really be able to attract those that want to serve this country because we are living at a time when I think people have second thoughts about whether they want to have to commit themselves to that kind of service. We will not have a strong military unless there is a commitment of young people to duty to country, so we've got to resurrect that sense of duty in order to make sure that we do have the men and women that are willing to fight and die for our country.

Secondly, let me just talk a little bit about the budget process and Washington. I'm a former chairman of the House Budget Committee, and I was OMB director in the Clinton administration. The budget process is badly broken. Badly broken. I mean, you've been talking about budgets and how we try to advance better technology and better innovation for the future. You're talking about a budget process that is broken. Congress hasn't passed a budget resolution in over twenty years. They don't pass budget resolutions anymore. And when I was chair of the committee, the purpose of a budget resolution was to identify priorities and then to have Congress basically follow those priorities. It's a discipline, fiscal discipline. It doesn't exist.

We're doing it by the seat of our pants. Everything comes down to a continuing resolution (a CR). And if you're lucky, you get a CR done. If you're not, you extend with another CR. Let me tell you, CRs are damaging to the

Defense Department. If you have to operate by a CR, you don't even know what you can do because it's total confusion. So somehow, we have got to get back to restoring that discipline. And I know I'm asking a lot, but if the Republicans are serious about wanting to do something about it, and they were when I was chairman of the committee, and if the reality of our economy is that we've got to do something about that, we have got to begin to develop budgets for the next five or ten years that begin to restore some discipline. Because if you do that, then I can build a defense budget, then I know where I'm going and not just operating by the seat of my pants. We have got to restore that process. And frankly, in order to do that, the Defense Department has got to be able to find ways to basically improve the way it operates.

And on procurement, it is a maze. I mean, Jim and I know, you build a weapons system, and the overruns on a weapons system are outrageous, but you keep building it even though sometimes it doesn't even make sense anymore. We have got to do procurement reform, serious procurement reform, that is able to not only expedite the process, but gives companies the feeling like they want to participate and be innovative and be creative. We don't do enough to reach out into the industries that are here and pick their brains about what we can do in order to improve our defense.

MATTIS: On the people, Dr. Rice, I'm not sure how we're going to answer Secretary Panetta's point about getting young people to want to join. I'm not sure that the way our history is taught today breeds an affection for this great big experiment. As imperfect as our democracy is, it's still the best thing going. And so here we are with the all-volunteer force facing the worst crisis since its founding this year. And yet, not the current president, not the last president, not his predecessor—I've never heard anyone say, "Uncle Sam needs you, young gal, young guy." I haven't seen the elected commander in chief do anything to help that army recruiter in Illinois go out and try and sell some parents on why their son or daughter ought to go into the US Army.

And so if we don't ask, "What is going on here? Why do we have a broken budget process? Why do companies have no predictability?" They're not going to open more lines of production for artillery shells or for submarines or anything else. They have no predictability. I mean, we've met the enemy, and it is us. And it all seems to be symptomatic of something deeper, and that's a breakdown of trust in the country. There was a time when the US Army, what was it? Mark [Wilson], I think you wrote about it. Nineteen

fifty-four didn't even have a budget because they just used the leftover money from the Korean War, and they could take care of all their needs. In other words, they were given that flexibility. Can you imagine today where you can't even get 1 percent of the budget to be reassigned to some other line that you need when you have a budget as big as it is?

What I'm seeing are all these symptoms of the breakdown of trust between Congress and the Department, between young people coming out of school and the country, and between educators on college campuses or high schools. It all seems to go back to how can we rebuild trust. Strategy will help you. Strategy will actually be an appetite suppressant on military adventure. It can put diplomacy first. Strategy can do a lot of things that would help free people from these myths of why they should distrust their fellow Americans, and we can get back to making things work better. I know I've kind of broadened the question, pulled it back out.

RICE: No, that's helpful.

MATTIS: But I think a lot of things we're talking about here are symptoms. And by the way, you all have done great work in these papers. But what I was able to hear this morning was a very good, to a Jesuit's level of satisfaction, definition of the problems. And you will never get everyone on board to the solution until you get them all on board on what the problems are. And this could be the biggest benefit coming out of this conference, that you all know how to define problems better than I've seen anywhere. And once we get everyone in agreement on that—remember how [Albert] Einstein answered when asked how he would save the world if he only had one hour? For fifty-five minutes he'd define the problem and get everyone to agree on that. Then save the world in five minutes. And so I really admire what you all are doing here.

RICE: Great. We have time for a couple questions. Mike, please.

MICHAEL BROWN: I appreciated kind of that broad perspective on budgeting. We're fortunate to have four commissioners here on the PPBE Commission, which really gets to the brass tacks of what we need to change about the budgeting process. So love to get your comments about what you would say we need to change. Pick the top two or three things you'd like to see the commission come out with?

MATTIS: Congressman Duncan Hunter, the senior, once identified six hundred laws in Congress that have some effect on how the Department of Defense is managed. There's got to be a scrub of all of those rules because many are contradictory. They complicate things, and they're additive. And that comes right from Congress. They need to cut these back.

PANETTA: I'm going to take a broader approach because, frankly, I think a broader approach is necessary. I mean, I think for Congress to be arguing, "Well, let's see, we've got to cut defense," or, "We really ought to cut Medicare or Social Security or whatever." I mean, that's not going anywhere. It's not going to happen. When I was chair of the Budget Committee, I remember meeting with President [George H. W.] Bush who said, "Read my lips: no new taxes." But we talked about the budget, and we were concerned. And I said, "Look, the deficit is in the wrong direction." In those days, we were worried about deficits going from \$300 to \$400 to \$500 billion and \$600 billion. That's what we were worried about at that point. And he said, "Look, we're going to have to sit down. We're going to have to put everything on the table. I can't do it right now," because he'd just gotten elected, but he said, "We have to do it." And we did that.

I mean, we went to Andrews Air Force Base and spent three months negotiating with everything on the table. And that's what you've got to do. I mean, if we're talking about the debt limit and cutting some kind of deal on the debt limit, let me tell you, the most important thing that could happen is if Congress and the president said, "We need to have another commission that looks at all things in the budget and makes a recommendation as to the approach we have to take." That would do wonders just to be able to get us back to talking about all the pieces you need to do.

You've got to look at discretionary spending. We had caps that grew both on defense and on discretionary spending. You've got to look at entitlements. My God, it's two-thirds of the federal budget. You're not going to do anything in the budget without dealing with entitlements. You can deal with it because frankly, you can find savings in the way Medicare is being applied, in the way veterans' programs are being applied. There are savings that can be achieved. The same thing is true in Social Security. And frankly, there are revenues that can be raised. Unless you've put all of that into a package, I mean, you're not going to get Republicans and Democrats to support anything unless everything is part of that deal. Because what you have to say to the American people is, "Everybody has to sacrifice for the sake of the country."

I remember with the Clinton budget, I met with a group of people who said, “How can you raise revenues?” And I said, “Well, wait a minute. We’re doing a budget that cuts veterans’ programs, that cuts agricultural programs, that deals with Medicare savings, that deals with all the areas of the budget. And you’re telling me that somehow you don’t have to be part of that process? Baloney. You’ve got to share the sacrifice that everybody has to share in order to be able to get this crazy deficit in the right direction.” So unless you’re looking at that big picture and everybody is willing to put everything on the table to get there, we’re not going to get there by small bites. It’s just not going to work very well.

I mean, although I could tell you, like Jim, there are areas of the defense budget where you can get savings. Duplication, they’ve got a bureaucracy at the Pentagon that’s grown 40 percent both in headquarters as well as personnel. I mean, my God. Part of that is some of the problems that we’re confronting. Same thing on procurement, same thing on BRAC [Base Realignment and Closure]. Very frankly, we need another BRAC process to go through in order to find the savings on that. These are all tough areas, but you’re never going to get there with the defense budget unless everybody is participating in that bigger effort. That’s the problem.

RICE: I’ve got two last questions, and then I’ll come back to the two of you to close out.

MACKENZIE EAGLEN: Thank you all so much. I agree with the approach. We all have to hold hands and jump off the cliff together is how I would characterize Secretary Panetta’s comments. This question is for all three of you, if you don’t mind. Secretary Panetta, when you had the job in the Pentagon, you said we were within an inch of war with North Korea almost every day. At some point, if you’re writing future memos to the next secretaries of State and Defense, are we thinking enough about how this ends, when it ends, and what happens?

ORIANA SKYLAR MASTRO: My question is about personnel recruitment and retention. I’m more optimistic about the sense of duty that the average young American has. And as a service member myself, I’m more optimistic about that. The thing that I saw at the Pentagon, and I’d like your views having been at the Pentagon, though I think it’s less of a problem at the State Department, but I’d love to hear your views on it: The experience is outdated. The military

system is set up for a 1950s system of men that are followed by their wives. And I guess I'm curious, what do we need to do to change that experience? I know, at least in the air force, the problem with dual military families, how long it took us to get maternity leave is insane, but even then, the maternity leave policy is that women are allowed to take it if they delay their promotions by a couple of years.

So how do we get back on track with some of those things? So I guess I'm curious about what do we need to do to change the system to be more flexible. I think military members should be able to easily leave for a year or two if they want to get graduate degrees and come back in much more easily than we do now. And if you have some ideas about how to update the military experience, what are some of the obstacles within the defense budgeting and procurement processes that make it so difficult for us to adjust the organization?

RICE: Let's take that question first and then we'll return to North Korea. So Leon or Jim? Jim?

MATTIS: It seems to me that the military is a somewhat unique type of employment because the missions that come to the military do not take into account the kind of flexibility you can sometimes give others. In the civilian world, people can quit their jobs. The last thing you want when a ship's getting ready to sail into harm's way and a conflict breaks out with China is for the sailors to say, "Well, I don't have to go. I can just say I'm going to quit now." So it is different. It's called service for a reason. You're not there for yourself.

Now, that's not to say we don't want to draw people in, but there is a certain degree of sacrifice associated with being in the military. But I think a lot of these things can be addressed simply by telling the service chiefs, "I want you to do everything you can to keep the right people in, and you come to me and tell me what you need in terms of legislative authority, in terms of internal departmental regulations and that sort of thing."

Right now, I don't think we're doing enough along those lines. But I also think that we're starting to get into a position where we forget that military imperatives are not always the same as civilian imperatives, and that is one of the reasons why, getting on the airplane to come down here, the airline says military members get on first because they recognize there's something special about the sacrifices that those families make.

RICE: I think the question is, if I can rephrase this, do we think enough about the North Korean problem, and what would you tell your successors to do about it? I'll tell you on the State Department side, but yes.

PANETTA: If I could quickly address this issue. I think we've got to think about service in the twenty-first century, and we've got to be able to adapt more to what's out there. I mean, I obviously thought it was very important to open up opportunities for women, for gays, for the people that were coming in who are immigrants to be able to serve. I think the most important thing for this country is to be able to have everyone who wants to serve this country have that opportunity. And very frankly, it's working. I mean, I've seen women now in special forces. I've seen women who are advancing in terms of military rank. I think we're getting there, but I also think we need to adjust to the times.

What we don't do enough is build careers in the military. Give them the opportunity to go back to school, give them the opportunity to be able to take some time off, be able to come back, and then advance. We have these arbitrary lines where, oh, you serve for two years or you serve for four years and you get the hell out. Baloney. You're now experienced. You ought to be able to build a career in the military. We're not providing enough incentives to do that, so we really do need to rethink this and provide a little more flexibility that gives people a little more opportunity to be able to adjust to the times and yet be able to serve their country.

On North Korea, the most important thing with dealing with Kim Jong-un is to show that the alliances between South Korea, Japan, and the United States are holding. Also that we maintain a military presence in South Korea with our troops and that we build even further additional allies with Australia, India, and others in order to be able to confront North Korea and make it clear that if North Korea does anything stupid, they're going to pay a high price. Kim Jong-un only understands force right now. I wish that there would be an opportunity to reach out and be able to look at opportunities to try to do something on a negotiated basis. And I would say if the State Department or others see that opportunity, we ought to pursue it, but we have to negotiate and deal with this guy from strength. And in order to show him that strength, you have to show that the alliance, particularly in that region, is firm, together, and we are not questioning one another but working together to confront North Korea.

MATTIS: It was four years ago when I was dealing with my counterpart in Beijing. We had a private walk in the woods at Mount Vernon one night, and

I said to him, “This is what great nations do. They solve problems. What are you going to do about North Korea? You keep saying you don’t want all these American troops in the Korean Peninsula.” I said, “You’re going to see more American troops in the Korean Peninsula if you don’t help us solve this problem.” On a separate occasion, I had a conversation with a drunken communist Chinese officer. When I confronted her about the same issue at the National War College, she said, “We have fifty years of Communist solidarity. We have three thousand years of hatred. What do you think we think about them?”

But I think there is a reason why we need to try to find a way to manage our differences with China so we can deal with some of these problems. It may be we’ve gone beyond that point, at least for right now. Although I notice Secretary of State Antony Blinken is doing what he can to try to get some kind of talks going, I think there is some hope that we could work with China on this, especially if it’s seen as we’re not eager to have that number of troops on the Korean peninsula if this problem went away. That’s one way I would look at it.

RICE: I’ll just add, look, we had China in this chair of the six-party talks, and the idea was to align Japan, South Korea, China, Russia, and the United States so that North Korea couldn’t play one off against the other. And I would just say three things. The first is to make sure that you’re deterring China or Russia from making trouble in North Korea because the atmosphere is very different now, and I know that Vladimir Putin seems to be preoccupied, but I wouldn’t put it past him to try to make trouble someplace else. So deter them from that.

Secondly, I think this is not a problem you’re going to solve. It’s a problem you have to manage. Sometimes in international politics, it’s not time to solve something. And there are two management strategies from my point of view. One is, if I could get inspectors on the ground, I would do it, and I’d pay whatever price that took, and I’ll tell you why in just one moment.

The third is I do believe that if you can keep them from testing, you’re buying time because nuclear tests are not a matter of you get a little bit better, and you get a little bit better, and you get a little better. They’re pretty binary. You succeed, you fail, you succeed, you fail. And so if you can keep them from testing, you may be able to retard that program. But back to the inspectors on the ground. So we had quite a knockdown, drag-out about this in the National Security Council about whether or not to pay a small price to get inspectors on the ground in North Korea. And I remember Vice President Dick Cheney, with whom I had a great relationship, by the way, but he said at this point,

“Mr. President, the Bush administration has to maintain its credibility on the use of force.”

I said, “Mr. President, the one problem we don’t have is credibility on the use of force. People think if they look at us the wrong way, we might use force. So that’s not our problem. Our problem is to figure out how to get there.” We did get inspectors on the ground, and the intelligence agencies told us that the North Koreans had ceased their uranium enrichment program and were only pursuing a plutonium program. And as you know, a plutonium reactor is above ground. It has to vent, and you can see it, but enrichment can be done underground.

And so, one of the deals that we’ve struck with the North Koreans was they had to give us the logs for every time they turned on the plutonium reactor. They gave us twelve thousand pages of logs. If you can get people on the ground, you learn things that you cannot learn through other means. And so that’s my management strategy with the North Korean problem.

I want to thank our two secretaries of defense for their great insights, and I want to thank each and every one of you. And I just want to add my agreement here regarding rethinking the defense budgeting. Defense budgeting is really a critically important issue as we move forward. So thank you for participating in it. Thank you again, Michael [Boskin], for getting us all together, and enjoy the rest of the conference.