

# RAND Research Brief

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## Balancing Strategy, Forces, 20011015 004 and Resources

### Lessons for the Current Defense Review

The post-Cold War era has been one of immense change, and one that has created equally immense challenges for defense planners. Changes in the international environment and the nature of threats to U.S. interests—as well as the size of defense budgets—have placed tremendous strain on the U.S. policymakers who sought to achieve a balance between strategy, forces, and resources. The question of how best to achieve such a balance has arisen again with the defense reviews of 2001.

A new RAND study led by Eric V. Larson provides a context for understanding the challenges facing defense planners during the current defense review by examining the experience of the 1989–1990 Base Force, 1993 Bottom-Up Review, and 1997 Quadrennial Defense Review. The results of this analysis are found in *Defense Planning in a Decade of Change: Lessons from the Base Force, Bottom-Up Review, and Quadrennial Defense Review*. The study defines the key assumptions, decisions, and outcomes associated with the development and implementation of each review. The analysis demonstrates the emergence of a growing gap between defense strategy, the force structure intended to support the strategy, and the amount of resources allotted to the defense program. The report indicates that future defense reviews need to better assess how changes in strategy might potentially affect force employment and readiness. Increased attention also should be given to determining the true costs of funding a reasonable-risk strategy and force structure, and to the long-term modernization and transformation of the force.

#### **THE BASE FORCE MARKED THE POST-COLD WAR SHIFT TO A REGIONAL BASIS FOR DEFENSE PLANNING**

The 1989–1990 Base Force was in large part the response to a diminishing threat and demands for a “peace dividend” at the end of the Cold War, both of

which were given further impetus by a deepening recession and soaring budget deficit. Central to the Base Force was a proposed 25-percent reduction in active forces below FY 1990 levels—considered the minimum force necessary to protect U.S. interests in the post-Cold War environment.

**Strategy.** The Base Force replaced the Cold War emphasis on global containment of the Soviet Union with a focus on regional threats to U.S. interests. While retaining the objectives of strategic deterrence and defense, the new strategy called for reductions to large standing forces overseas (“forward defense”) and advocated greater reliance on rotational, mostly U.S.-based forces (“forward presence”) and crisis response capabilities. If needed, the force was to be able to reconstitute its former capabilities. Although the Base Force called for flexible general-purpose forces to address the entire “spectrum of threat” from humanitarian assistance and noncombatant evacuation operations to major regional conflicts, there is little evidence that Base Force planners anticipated, much less favored, substantial involvement in peacekeeping and other peace operations.

**Forces.** The size of the force was determined according to an assessment of capabilities needed to meet regional threats, not a capability to fight two major theater wars, a criterion that would become central to defense planners in the subsequent administration. Four force packages were oriented, respectively, toward strategic deterrence (Strategic Forces), forward presence (Atlantic and Pacific Forces), and crisis response and reinforcement (Contingency Forces).

**Resources.** Much of the planning for the Base Force was premised upon the 25-percent reduction in forces, coupled with a smaller, 10-percent reduction in long-term defense budget authority. However, the October 1990

budget summit required much deeper budget reductions of 25 percent. As a result, substantial additional defense cuts were made, especially to long-term modernization efforts.

## ASSESSMENT OF THE BASE FORCE

Many of the strategic assumptions underlying the Base Force remained salient through the rest of the decade. Among the most important of these was the need for a regionally based strategy that emphasized deterrence, forward presence, and crisis response. However, one of the Base Force's key premises—that the post-Cold War world would *not* be occasioned by large-scale, long-duration contingency operations—was cast into doubt as a result of the need to sustain a presence in Southwest Asia after the Gulf War. Other key findings:

- The post-Gulf War experience in particular validated policymakers' assumptions about one implication of the spectrum of threat: that the United States might be kept busy with a host of smaller and generally less-consequential military operations.
- While reductions to force structure and active manpower were achieved, reductions in reserve component manpower were delayed. Further, while the 1989 Base Realignment and Closure commission (BRAC) initially identified 40 bases for closure, concerns later arose that not all the anticipated savings would be realized from BRAC and other cost-reduction initiatives.
- Administration and congressional efforts to control the ballooning federal deficit resulted in further budget reductions after 1991, with more challenging problems—including a procurement "bow wave"—looming on the horizon because of the resulting insufficiency of funds to modernize the force.

## THE BOTTOM-UP REVIEW COMBINED A MORE AMBITIOUS STRATEGY WITH A SMALLER FORCE STRUCTURE AND REDUCED BUDGET

The 1993 Bottom-Up Review (BUR) was the Clinton administration's attempt to provide a "comprehensive review of the nation's defense strategy, force structure, modernization, infrastructure, and foundations." Central to the new administration's plan were additional reductions in defense spending and force structure even while the administration was promoting a new defense strategy for the nation.

**Strategy.** The BUR's strategy promoted increased U.S. participation in multilateral peace and humanitarian operations while continuing to embrace the Base Force's regional focus and emphasis on strategic deterrence, forward presence, and crisis response. The BUR's strategy

focused on a host of "new dangers," including the proliferation of weapons of mass destruction; large-scale aggression and ethnic, religious, and other forms of conflict; threats to democracy and reform in the former Soviet Union; and instability from the failure to build a strong and growing U.S. economy.

**Forces.** The BUR proposed force structure reductions of about one third from FY1990 levels and promoted additional manpower cuts of 160,000 active personnel and 115,000 civilians. The force structure was originally designed to support a U.S. military capability of winning one major regional conflict (MRC) while "holding"—and later winning—a second MRC (the "win-hold-win" strategy). But after criticism from Congress and allies, the administration opted for the military capability of winning two simultaneous MRCs. The original plans for force structure were not substantially changed, however, with the exception of some force enhancements in areas such as strategic mobility. The military strategy was to be supported by a set of "force building blocks" to address the needs of MRCs, peace enforcement and intervention operations, overseas presence operations, and deterrence of attack by weapons of mass destruction. The BUR considered peacetime and other smaller-scale contingencies (SSCs) to be "lesser-included cases" where the demands on the force could be managed. Accordingly, the BUR laid down an elaborate logic for disengaging the force from peacetime operations, and it established several management oversight groups to monitor readiness and other risks that might arise as a result of participation in peace operations.

**Resources.** Despite its ambitious strategy, the BUR promoted deeper cuts to the defense top line. The BUR reported that it anticipated \$104 billion in savings from the Bush baseline budget, although some OSD policymakers are reported privately to have expected only about \$17 billion in savings. Constraints on resources meant that the BUR could undertake only "selective modernization" in areas such as the theater air program. The BUR also supported several so-called "new initiatives" directed at improving U.S. capabilities in areas other than traditional warfighting.

## ASSESSMENT OF THE BUR

The BUR's ambitious strategy ultimately was not adequately supported by the reduced and underfunded force structure. The BUR failed to fully reckon how peace and other smaller-scale operations would impact warfighting readiness. Readiness problems also emerged, while resource shortfalls resulted in increased risks associated with executing the national military strategy and postponed spending on modernization and other investments. Other key findings:

- The BUR's emphasis on peace operations resulted in commitments throughout the 1993–1998 period that were frequent, large, and of long duration. By some accounts, this commitment ultimately amounted to the equivalent of a major theater war's worth of forces.
- Reductions to force structure were achieved relatively quickly, but infrastructure reductions lagged.
- The actual costs of the defense program turned out to be much higher than anticipated, with only about \$15 billion in savings realized over FY 1994–1999. In addition, some of the force enhancements required to make the two-MRC strategy work (e.g., in the area of strategic mobility) were not in place as expected by 1999. Spending on modernization fell well below the planned levels, while funds routinely "migrated" from investment accounts to operations and support accounts.

### **THE QUADRENNIAL DEFENSE REVIEW SOUGHT TO REBALANCE THE DEFENSE PROGRAM AND BUDGET**

The Quadrennial Defense Review (QDR) was intended as a blueprint for a strategy-based, balanced, and affordable defense program. With a flat budget of \$250 billion, only modest adjustments to force structure, and about a 10-percent reduction in manpower, the QDR aimed to address some of the key problems that developed during the BUR years, including the "migration" of funds.

**Strategy.** The QDR's strategy embraced both active engagement and crisis response operations, while seeking to ensure resources for modernization of the force. Dubbed "shape, respond, and prepare now," the strategy generally reaffirmed the BUR's emphasis on two nearly simultaneous MRCs as the principal basis for force-sizing. The QDR also placed increased emphasis on the quick deployment of forces to halt an advancing enemy army ("the halt phase" in major theater war). It gave greater recognition to the possibility of multiple concurrent SSCs, although it continued the BUR's practice of treating SSCs as "lesser-included cases." It also articulated a somewhat more nuanced employment doctrine that distinguished among vital, important but not vital, and humanitarian interests.

**Forces.** Changes to force structure involved only modest reductions as well as some restructuring. Instead, savings were to be achieved largely through manpower cuts. The QDR reported target reductions of 60,000 active forces, 55,000 reserve forces, and 80,000 civilians.

**Resources.** The QDR anticipated continued flat defense budgets while seeking a long-term commitment to achieve \$60 billion a year in procurement spending by

2001, an amount which would allow only continued selective modernization. To make the overall program affordable, the QDR made selective cuts to a number of acquisition programs, and sought further infrastructure reductions and defense management reforms.

### **ASSESSMENT OF THE QDR**

The QDR did not resolve the imbalances that had developed over the implementation of the BUR. In fact, its flat budget underestimated the resources needed to support the defense program. By the fall of 1998, the service chiefs reported serious readiness problems and said that the risks associated with executing the two-conflict strategy had increased. Other key findings:

- Although the QDR had anticipated continued participation in peace and other contingency operations, actual U.S. participation in such operations turned out to be much higher than expected.
- The modest force structure changes recommended by the QDR were in place by FY 2001. While the other services were expected to hit their QDR manpower targets by 2003, the Air Force's execution of the QDR manpower cuts over FY 1997–1999 was delayed. Further rounds of base closures were not authorized by Congress.
- Most programs advocated as part of the selective modernization of the force continued to receive reasonably robust levels of funding. However, long-range modernization plans remained at risk due to the continued migration of funds from procurement to operations accounts. The combination of the seriousness of readiness and other challenges, as well as emerging federal budget surpluses, led to an infusion of an additional \$112 billion to the defense program beginning in FY 2000. This increase proved far from sufficient to recapitalize the aging force, however.

### **THE CURRENT DEFENSE REVIEW WILL NEED TO ADDRESS PROBLEMS OF STRATEGY, LONG-TERM MODERNIZATION, AND ADEQUATE RESOURCES**

According to the RAND study, each of the defense reviews shared certain common features. All assumed that the most important post–Cold War mission for conventional forces was halting and reversing cross-border aggression by massed, large-scale mechanized forces. Each in its own way treated smaller-scale peace and other contingency operations as "lesser-included cases" that could be successfully managed by a force structure that was primarily designed for warfighting, and each assumed that these operations would impose minimal costs and risks on warfighting readiness. Moreover, each suffered from the absence of a bipartisan consensus on a post–Cold War for-

eign and defense policy and on how to rectify the emerging gaps in the defense program.

The study identifies three key lessons from the experience of the past defense reviews with implications for the current review:

- **It is critically important to understand fully the ramifications brought about by changes in strategy.** The conception of engagement documented in both the BUR and the QDR promoted peace operations as an important tool of U.S. policy, which had strong implications for the resulting pattern of U.S. force employment. However, neither review fully acknowledged the potential effects of this element of strategy or anticipated the resulting readiness problems and increase in warfighting risks. The current review will need to better assess the relationship between the chosen strategy and force structure.
- **Increased focus should be given to the long-term modernization and transformation of the force to ensure that the United States is able to retain—and even expand—its qualitative advantages over potential adversaries.** While there have been substantial reductions in force structure and manpower, only a modest amount of reshaping of the force has taken place. Efforts to transform the force have so far been

hampered by a continued focus on current-day threats, force structure, and readiness needs—at the expense of addressing longer-term needs.

- **It is necessary to determine the true costs of a reasonable-risk version of strategy and force structure.** In past reviews, an avoidance of debates over strategy, policy, and the adverse impacts of defense discretionary spending caps may have impeded consideration of the problems that have plagued the defense program for much of the decade.

The Bush administration's quadrennial defense review will wrestle with the same questions faced by its predecessors in defining and funding a strategy and force structure that can best serve the interests of the United States. In answering these questions, the Department of Defense would profit from an "assumption-based" planning approach that establishes signposts for evaluating the continuing validity of the key assumptions employed in planning. Assumptions to be evaluated include future threats; the anticipated mix, frequency, and concurrency of future operations; the adequacy of forces to undertake these operations; and the resources that are necessary to ensure high readiness and low-to-moderate risk in executing the national military strategy.

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*RAND research briefs summarize research that has been more fully documented elsewhere. This research brief describes work done for RAND's Project AIR FORCE; it is documented in *Defense Planning in a Decade of Change: Lessons from the Base Force, Bottom-Up Review, and Quadrennial Defense Review*, by Eric V. Larson, David T. Orletsky, and Kristin Leuschner, MK-1387-AF, 2001, 192 pp., ISBN 0-8330-3024-8, available from RAND Distribution Services (Telephone: 310-451-7002; toll free 877-584-8642; FAX: 310-451-6915; or email: [order@rand.org](mailto:order@rand.org)). Abstracts of all RAND documents may be viewed on the World Wide Web ([www.rand.org](http://www.rand.org)). Publications are distributed to the trade by NBN. RAND® is a registered trademark. RAND is a nonprofit institution that helps improve policy and decisionmaking through research and analysis; its publications do not necessarily reflect the opinions or policies of its research sponsors.*

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