Peter G. Peterson Fiscal Summit 2017:

Sustaining American Leadership in An Uncertain World

May 23, 2017

Interview with admiral Michael G. Mullen

INTERVIEWER: John Harwood, CNBC

Today’s global security challenges demand American leadership. However, our country’s safety, strength, and international influence are built on our nation’s fiscal and economic health. Our elected officials face tough choices in maintaining the economic growth that underlies our security, while at the same time meeting the challenges of the moment and seizing the technological possibilities of the future. Admiral Mike Mullen, former chairman of the Joint Chiefs of Staff, drew from his considerable experience to explore how our nation can maintain global economic and diplomatic leadership that is both sustainable and sufficient to the challenges we face.

This interview with **Michael G. Mullen, USN (Ret.)** was conducted by CNBC's **John Harwood** as part of the [**2017 Fiscal Summit**](https://www.pgpf.org/what-we-are-doing/fiscal-summit).

\* \* \*BEGIN INTERVIEW\* \* \*

JOHN HARWOOD, CNBC: I'm back. And joining me now is the former chairman of the Joint Chiefs of Staff, Admiral Mike Mullen. (APPLAUSE)

ADMIRAL MIKE MULLEN: Hi John.

HARWOOD: Admiral, let me talk first about the budget that's come out today, which proposes an increase of $54 billion-- for the Pentagon, a corresponding reduction in-- domestic spending on non-defense. Does the Pentagon require that money for the security of the United States?

MULLEN: Well I certainly-- think in the near term. One of the real challenges the Pentagon's had, and it was because of other budget gimmicks-- one of which was sequester, from a readiness standpoint they really need-- several billion dollars to get the readiness accounts to do what they have to literally do in the very near term. Pa-- some of that money came in the-- in the-- budget amendment-- and certainly-- that'll be a part of this budget as well.

But I've said for some time, I think the Pentagon has about the right amount of money. And-- I don't think it could come down a lot because part of the challenge is we keep adding to the requirements, we don't take anything off the table. So I s-- I-- I certainly-- defer to the leadership today from that perspective. I think we could be much more efficient in the Pentagon. There was a widely published and discussed study f-- last fall about $125 billion over five years in terms of efficiencies. And I think-- that money actually can be found. It's a lotta work, there's a lotta resistance to-- to what you have to do-- to do that, but from my perspective, that's part of the responsibility of-- of the Pentagon as well.

HARWOOD: The-- so you think before this budget proposal what-- as the administration began Pentagon, more or less, had enough money.

MULLEN: I do.

HARWOOD: John McCain-- who you know well, was on this stage-- earlier today, I believe, and said that the amount of increase in the Pentagon budget that the president's proposing is not nearly enough.

MULLEN: Well that's just a di-- obviously he's got-- he's got a view. I-- I think-- I also have a view from ins-- sort of my days inside the Pentagon, in the program and budget world that there are ways to spend the money that we have better. And-- and I think from-- from-- I-- I worry a little bit about we just keep adding and adding and adding.

And-- I'm not-- I'm-- I'm comfortable-- that the-- the amount of money that's in the budget is about right. I-- I don't think we could take it down a lot. There's a lot of rhetoric that's out there-- because we keep asking the Pentagon to do more and more-- in a world that's very, very dangerous, that's-- increasingly uncertain, and possibly increasingly unstable. But I think there's a lot more we can do inside the defense to-- to spend the money in a better. Way.

HARWOOD: To help people understand what you just said, imagine for a moment that you were tasked to head a SWAT team to go in as an outside consultant to the Pentagon and say, "Here are ten ways we could save lots of money." You know, many people here, "Well I'd cut waste, fraud, and abuse," and they'd say, "Come on, that's bologna." What-- what ways are you thinking of where you could save real money?

MULLEN: The Pentagon's like any business in the sense that the most expensive and precious resource that we have are people. And since about 2000 the number of civilians in the Pentagon have doubled. I-- I would go at that account-- very vigorously and in a sustained fashion.

HARWOOD: Civilian employment at the Pentagon.

MULLEN: Correct. And-- and-- and notionally-- where we used to have nominally about one civilian for everybody in the military, it's-- it's-- it's about doubled. And I'd take it back to it's previous ratio. And that's-- that would be an extraordinary-- change in terms of budget allocation, if you well.

Now I've-- as-- as a budget guy myself, I tried that a few years. The civilian leadership in the Pentagon knows where the levers are and-- and-- they're gonna be there literally from one group to another. So it's very difficult to execute that. That has to be done from the Secretary Mattis level, literally personally in order to make that happen.

Otherwise the-- the s-- the bureaucrats-- the bureaucratic system will resist that. So that-- I d-- I'd certainly would start there. I'm also one who've-- I felt for some time I'm not sure we need to-- to become a bigger military, and this is a place where Senator McCain and I would differ strongly. As-- and this-- is what I learned in the-- on the political side goin' to war-- in both Iraq and Afghanistan.

I worry the American people didn't have to really get-- aboard for these wars. And-- and I think the next time a president wants to go to war, we really need to have a vigorous debate-- that it would include-- the need to, from my perspective-- bring-- a half a million kids in the military through-- a draft or a temporary draft, from my perspe-- which get-- now it's discussed in every household.

Now you have a debate-- is this somethin' that's really important for America. And in that regard, that then translates to, you know, a small Army, not a bigger Army. And we're goin' in the other direction right now. So if you take the roughly hundred thousand that we wanna increase the size of the Army and you hold what you've got, or you make it a hundred thousand smaller-- that's not an insignificant expense as well.

Now I'm not arguing we need to balance the budget that way, per se, but that's-- that's another consideration. And then thirdly-- and-- and Senator McCain has led this, and I applaud this, is the whole issue of we pay way too much money to buy stuff. It takes far too long. That-- that's-- th-- you could fill this room with the studies on-- acquisition and how we do it. It's-- but-- but principally, and Senator McCain has started this, I would bring the uniform leadership-- back in the service chiefs, back into-- into that acquisitions system in a much more direct and responsible and accountable way.

HARWOOD: Now President Trump has made the point that he personally can do this by-- and has done it by calling the heads of defense--

MULLEN: Sure.

HARWOOD: --contractors and making deals with them. Is that true? Is that possible? Has he, in fact, saved large amounts of money so far?

MULLEN: Well it appears. And I don't know the facts. But it certainly appears from a couple of conversations that the leadership of a couple of our defense companies has committed to a fairly substantial-- savings or reductions in cost. We'll see in the end. Again, that's somethin' else that-- that I think the president and his team will have to stay with, one phone call just isn't gonna do it. It's embedded far too deep in the system to make that happen overnight. But I think over time if he can continue to put that pressure-- on-- defense contractors that he certainly could have an impact.

HARWOOD: Uh-huh (AFFIRM). Now during the campaign he made the argument that because of sequester, because of cuts that were supported by Congress, by the Obama administration, that our military had been crippled. Evaluate that statement.

MULLEN: Well I think-- that was most evident in what I said earlier. Because of sequester in particular, and because of the year-after-year continuing resolutions and-- and the inability to plan-- we do a pretty good job out four and five years in the Pentagon in terms of planning our future requirements. And for years we just weren't able to do that 'cause we didn't know from one budget to another what-- what we were gonna have.

So there was a lotta truth in the-- in that from the near-term perspective. I think from the long-term perspective that-- you know, the-- the foundational stuff we're really in pretty good shape. And I-- I-- I personally wouldn't have used the word crippled, but there was a very severe readiness issue.

So all the services were basically just focused on the next unit that was getting ready to deploy. And usually we can go two or three deep. The worry there is you don't have the depth if somethin' really big happens to start to move the forces, if you will, that are ready to go.

HARWOOD: H-- how quickly-- h-- has that readiness issue been address? And if not, how quickly can it be addressed?

MULLEN: I think-- I think the 17 amendment budget s-- started to address that and-- and clearly that will allow services to start to do maintenance on their trucks or their airplanes-- or their-- their ships, whatever the case might be. But-- but you don't undo that overnight. That's gonna have to be sustained-- in the-- in the '18 budget or the budget that is being released today and for a few years. You can't dig a hole for five, six, seven years and get out of it overnight.

HARWOOD: I wanna ask about one thing that President Obama said about dysfunction in Washington. And he said that our problem was that our politics is broken. In light of-- you were talking about inefficiencies in the Pentagon, pay too much for weapon systems, various ways in which we are not getting the maximum bang for the buck.

Part of that, is it not, is about political dysfunction and the inability f-- for collective action to override the particular interests of smaller groups? So I just wonder whether you think that-- and-- and, you know, to try to overcome that we created a base closing commission, you know--

MULLEN: Yeah.

HARWOOD: --couple decades ago. What is your assessment of the ability of Washington to tackle what needs to be done to-- increase efficiency to the benefit of our budget?

MULLEN: So we're here-- and I wanna-- you know, give a shout-out to Pete and-- and Mike Peterson and all they do to focus this issue because it gets lost too many times. Because it's somethin' we'll fix down the road. It's interesting you talk about the-- the BRAC piece because in thinking about this today and looking at the earlier panels, what we don't have on this issue is a sense of urgency, that something is really imminent and we really need to-- to fix it very, very quickly.

Despite all the graphs and presentations of-- of the trends, which have been out there for some years, and I look at this year's material and it's, you know, it's an-- it's an updated version of last year. And it-- and-- and what Congress did in BRAC was, I thought, heroic. It was-- they couldn't make a decision so they passed a law to have someone else basically make a recommendation and they just give it an up or down vote.

I don't know that-- that in the end, to get at this crisis, that something like that isn't gonna be required. The politics right now do not allow anybody to work across the aisle in general. Everybody-- it's one of those things that's a complete intellectual disconnect. Everybody says, "We know we need to do this," and then no one does it. And the leadership-- and I-- and I think the leadership at the highest level in Congress and-- in-- and in-- obviously in the president's office, they're the ones that have to make that happen.

Until we start seeing people reach across the aisle in a way where the politics just doesn't freeze the problem-- th-- then we're not gonna make any progress. Something like the BRAC commission, or s-- a law to get at this issue d-- that f-- then focuses you on Social Security, that really gets you at the health care-- Medicare, Medicaid costs, which is what's really drivin' it-- what-- that-- s-- a mechanism like that where it takes it at least initially outta their hands, something like Bowles-Simpson looks at it objectively, comes back-- and says, "Now up or down this, one way or another," might be a way to-- to actually solve it before we have the crisis. Th-- and-- and m-- my experience is, once you get into a crisis-- you know, the real firestorm, you don't come out with the best solutions at that point.

HARWOOD: One of the reasons why this is difficult is because in politics everyone's impulse is to spend on safety.

 (OVERTALK)

HARWOOD: So the-- who's gonna put a price on keeping America safe. And I just wonder as somebody who is steeped in this world, how do you yourself, as someone who has advocated for fiscal policies that-- are better than we have now, how do you think of the question of what's enough?

MULLEN: Well I-- I really think of it in terms of-- watching requirements in recent years. Obviously when I was in the job as chairman-- I was involved in two wars plus the-- the-- the-- fight against the terrorists, which-- which continue. And one of the things I worry about is politically the-- the wars over, but they're really not.

I mean, we got thousands and thousands of young men and women who are in harm's way today. And we have to resource them enough. Part of doing that is to make sure we have the best young people in the world. And one of the ways I look at this-- in terms of the future, is if we're able to retain the young people that I went to war with-- both enlisted and a, officer in the future, we're gonna be okay. And if we don't-- and we have up to now. And I give a lotta people credit for that.

But if they start to leave-- then no matter what we buy or almost-- almost no matter what the budget is, it's-- it doesn't make that much difference. You have-- but you have to have the people and the resources. And I think, as I said before-- m-- more along the lines of my experience-- the-- it leads me to a point where I think we have-- about the right number. It-- but we have huge challenges in-- in each of the services. The Army wants to get a lot bigger. The Navy wants to build ships. We have to re-- replace our very expensive-- ballistic missile submarines, which basically, in and of itself, will break the ship building budget for the Navy as an example.

The Air Force has-- a refurbishment program and a renewal program that has to be funded as well. So th-- so, you know-- Jim Mattis, Secretary Mattis, has got to get his arms around all of this and do it in a way that meets the needs. And then he also needs to say, "You--Mr. President, you want me to do this, then I need to be resourced to do this." Or, "I need to stop doing certain things," whatever that might be, all consistent with some version of our national interest.

And I think one of the things that I-- that I worry about is-- is a national strategy for the country from a national security perspective. And quite frankly, the debt's a big part of that because we just can't fund in-- in its simplest form, I can't fund the Defense Department as we keep takin' money away just because of the mandatory spending that's out there. But we need a national strategy which will focus on security and prosperity. And I found that lacking-- I-- I find that lacking now, but it's been lacking for decades. And I think leaders have to put that together as well.

HARWOOD: Couple things before I let you go. You mentioned that wars-- psychically America's moved on, but in actual fact, they're still going on. Ten years from now will there still be a significant-- group of U.S. military personnel in Iraq and Afghanistan?

MULLEN: I don't have a crystal ball. But I think there-- I-- I think generally speaking, yes. I mean-- I don't know for sure. One of the facts in Afghanistan, as difficult as that is and as long as that war has lasted, is-- I spoke recently with Joe Dunford, who's the current chairman, and he said outta the 60-plus terrorist organizations in the world who aspire to hurt us as American, 22 of 'em have a lotta members in that border between Afghanistan and Pakistan. So there's-- there's just-- th-- that's a fact and-- and I think a necessity to continue to address that. What's the size of footprint? How do we do that in a way that-- is sustainable? But all indications are I think we're gonna be there for a while.

HARWOOD: On-- on your point about-- a better fiscal policy, more responsible fiscal policy, as you said today-- given military circumstances, given economic circumstances, do you think we should be talking about raising taxes or cutting taxes right now?

MULLEN: I think we need a long-term plan and I think that has to be balance. I think fundamentally for us as a country the issue that just jumped off the front pages for this election was the middle class who've been left behind. And-- and you would know more about this than I, but, you know, real wages haven't gone up for 40 or 50 years.

Not only that, is when people lost jobs or we l-- we left them on the corner, company A, B, or C, we didn't figure out how to prepared them for the future. We didn't train 'em. We didn't give 'em a new direction. And I think that, other than say, "Thank you very much, you know, figure it out yourself--" and that then cascades to our younger people to look at, well, where are they headed? What-- what hopes do they have?

So more than anything else, I think, and-- and Secretary Mnuchin talked about this, that, you know, relief for the middle class, can we figure out a way to make their wages grow, and then-- and then balance the rest? I think the safety net-- is critical for us as a country-- so we have to retain that. But someone's gonna have to give up somethin'.

HARWOOD: Well to that point, d-- the-- do you think on balance we need more revenue rather than less, and do you think-- higher taxes is the way to achieve that?

MULLEN: Well I think-- I th-- I-- I think we need-- the-- the-- to get to a point, obviously, where the revenue and spending are m-- much more-- in sync with each other. I haven't talked to anybody that thinks this economy's gonna grow at three percent, which is a s-- which is a huge requirement. And g-- and certainly given where it's been in recent years. So-- I think-- it's-- I think it's-- it has to be a mix. I don't wanna-- I don't mean to waffle on that--

HARWOOD: Yeah.

MULLEN: But I think it has to be a mix. But they clearly-- I mean, with where deficits are goin', they've clearly gotta be more in line. And at some point we're gonna have to figure out how to have to pay our-- how we're gonna pay our bills.

HARWOOD: Uh-huh (AFFIRM). Very last question. As you sit and think from a national security perspective, whatever the right level of the defense budget-- is now-- current level, higher level that the president's proposed, do you see the-- security threats and challenges facing the United States from actual military conflict to things like climate change, which some-- in the military, perhaps you, have s-- viewed as a threat also, are those getting bigger and more expensive or smaller and less expense?

MULLEN: I think they're growing. I-- what's interesting about this is the focus on terrorism, which we've had now for certainly 15-plus years. That isn't gonna go away. But you have a resurgent Russia-- which has made-- which has-- has almost-- unopposed-- forced huge changes in Europe, politically as well as-- from an investment standpoint and a security standpoint.

But you also have a growing China. And you have a China that's grow-- whose economy is gonna bypass ours and has an ambition for the world-- globally. And I-- and we need a strategy-- or how are we gonna address that? And in a way that doesn't result in conflict, which would destabilize the world. So-- I don't see the requirements going away, per se. I see them growing. And how we address that is-- is-- you know, quite frankly, an open challenge.

And I think the relationship, and really this is because of the economies, two economies, I think the relationship between the United States and China is the most important bilateral relationship in the 21st century. How do we make that work? How do leaders make that work in a way where it's-- it's very constructive for both countries and we can both take care of our interests and our people?

HARWOOD: Will you join me in thanking Admiral Mullen?

MULLEN: Thanks John. (APPLAUSE)

HARWOOD: That's great--

MULLEN: Thanks John.

\* \* \*END INTERVIEW\* \* \*