Linda Cavalluzzo: Now I'd like to introduce our first keynote speaker, Mr. Robert Hale. The Honorable Robert Hale served as Undersecretary of Defense for the Comptroller and Defense Chief Financial Officer from 2009–2014. During that time, he oversaw the creation and defense of budgets that met the needs of the Department of Defense at war. He also led the Department efforts to tackle tough issues, including sequestration, government shutdown, audit readiness, financial-management training, and compensation changes.

Earlier in his career, he managed the defense analysis group at the CBO. He did that for 12 years. He actually started his career in the Navy, and his first analysis job was here at CNA, where he was both an analyst and a manager. Please welcome Mr. Hale.

Robert Hale: Well, thank you. I appreciate the chance to kick off this conference. I'm particularly glad to be here because it honors Walter Oi. I didn't know Walter personally, but I did know him by reputation as an able professor of economics at the University of Rochester. Walter was an economist who influenced the creation of the AVF, and a lead staff economist and director on the Gates Commission.

Walter's accomplishments are many. He was named a Distinguished Fellow of the American Economic Association, and he was awarded a Secretary of Defense Medal for outstanding public service in connection with his work on the Gates Commission. I appreciate the chance to speak today at a conference honoring his memory and his important work.

As I contemplated what I might say today, I realized I'm in a perilous position. I'm in a room that has a number of people who were involved in either the creation of the AVF or its early management, which was so critical. I, on the other hand, played mostly a bit role in that early management.

I'm reminded of an event that happened to me when I was the DOD CFO. I was giving an out-of-town speech, fortunate enough to have a driver to take me there. On the way the driver was trying to make conversation. He said, "Mr. Hale, what speech are you going to give today?" I said, "I'm

giving my budget speech." He said, "I've heard that speech three times in a week. I've heard it so much I could give it myself."

I thought for a minute and I said, "Well, you know, I'm kind of tired of it too. They don't know me where we're going. Let's try it. We'll switch places." He did, he went up to podium, the driver did, and I stood in the back of the room where he normally stands. He gave a good speech. It worked fine.

The first question was a difficult one from a lady in the front row, conceptually challenging. The driver at the podium began to squirm. Finally, he looked out at the audience and said, "I thought you guys were smart." He said, "That question's so easy my driver in the back of the room could answer that." If you see me looking around to the back of the room, folks, you know what's going on.

If one were asked what were the key policy changes in DOD over the last 50 years, I don't think there's any question the AVF would come to mind. It significantly influenced the quality, capability, and cost of our military over the past 40 years.

It's also affected the lives of millions of Americans. In some cases because they didn't have to, they weren't conscripted into the military. And in other cases, because in the absence of the draft, they had a greater chance to enlist in something they wanted to do.

The AVF has been much studied. I've mentioned the important work of Walter Oi. There are lots of others, some in this room. I don't know if Bernie Rostker is here; Chris Jehn and David Chu are here. There are many others. In my discussion I've brought in some of that research, but for the most part I'll leave it to later panels.

I also want to draw on some personal experiences. In 1968, I was finishing a bachelor's degree at Stanford. Two weeks before I graduated I was drafted into the Army; the AVF came a little too late for me. I convinced my draft board to postpone my induction for a few months so I could finish a master's degree in 1969.

Then I spent the summer of 1968 at the Pentagon as an intern computer programmer. There I met a Navy officer, and in return for some FORTRAN code that I hoped was useful to him, he got me into the Navy Officer Candidate School, which I know was useful to me.

As it turned out, the Navy brought me back to Washington, which led to, what's been for me, a highly satisfying career in public service, mostly in defense. At the time I didn't see things that way at all. I certainly didn't want to be drafted, and I was definitely a draft-induced volunteer into the Navy.

This morning I'll draw on some of my own experiences, and some other information associated with the AVF, to discuss with you three things that I think would not have been anticipated in the late sixties, early seventies, in the AVF. AVF surprises, if you will. I'll let you judge whether you agree with my choices.

What are these surprises—at least in my view? One of them you've already heard mentioned, which is the remarkably high quality of today's military, which seemed anything but likely in the late 1970s, the first years of the AVF.

Another is the extraordinary confidence the American public has in the military today, which also seemed quite unlikely, especially in the late sixties, during the Vietnam War and the end of the draft.

Yet another surprise, perhaps the biggest one for me, is the ability of an AVF to provide support for long wartime operations, which it's ably done during the past 13 years.

Let me turn first to the remarkably high quality of today's military. I expect you all know this, but today, essentially everyone entering the enlisted military has a high school degree. Many have had college behind then; all the officers have college degrees. Almost no one on enters in the lower parts of what's called the Armed Services Vocational Aptitude Battery Test, the ASVAB, a test used to judge capability for military service.

Back in the 1970s, the situation was so different. By the late 1970s about 25 percent of the recruits entering were not high school graduates. While it was thought at the time that recruit quality as measured by that ASVAB test was improving, it was not. A serious misnorming of the test had occurred in 1976, and after correction for that misnorming, a high percentage of new recruits was found to be in the bottom half of that ASVAB test. It was clear the recruit quality was low during the late 1970s, and Bob Murray saw some of that in his NATO tour that he described. That definitely posed a threat to the fledgling AVF, especially since some members of Congress, and perhaps, frankly, in those days, some of the military, would've been happy to return to the draft.

To sustain the AVF while also providing reasonable recruit quality, major changes were made quickly. There were large pay raises. In 1980 we increased the pay by 11 percent, by 14 percent in 1981. The services, and especially the Army, began paying attention to recruiting and how to do it.

In particular, in 1979 the Army put a general named Max Thurman in charge of the Army Recruiting Command. Now, Max Thurman was a rough person. I visited his headquarters at Fort Sheridan in Illinois while I was at CBO. I was embarrassed as he stood there snapping his fingers at a bunch of colonels behind him, demanding information.

That was Max; he used a lot of analysis in his decision-making. He used that analysis and his management style, gruff though it was, to make critical changes that paid off in more high-quality recruits. He did simple things: assigning quotas for high-quality recruits, not just quotas for the total numbers of recruits, or reassigning more recruiters to areas where they could exploit the best opportunities, particularly in the South, and getting everyone involved in recruiting. To that end he demanded that every one of his officers personally recruit at least one person into the Army.

These and other policies greatly improved recruit quality even by the eighties; as Bob Murray mentioned, it was higher and it's continued to increase since then. Does recruit quality matter? I think the answer is

obviously, is definitely, yes. The adaptability of higher capability, the ability to handle complex weapons, is helping make the military what it is.

The skills and capabilities of the U.S. enlisted community may be particularly important. They are held, I think, in especially high regard and not just by those in the United States. I remember some conversations with Russian officers in the 1990s—those were the days when the Russians were supposed to be our partners; those days seem gone. At the time the Russians commented the single thing they found most surprising and interesting about the U.S. military was the skill and intelligence of our enlisted corps.

Today's there little question we have a very high-quality military, drastically higher than in the early days of the AVF, but does that constitute an AVF surprise? I'll let you judge.

My guess is Walter Oi and his fellow economists would probably say no. You increased pay a lot. You shifted the supply curve by things of the sort that Max Thurman did. You can sustain a high-quality force under an AVF.

But, for many managing the AVF in the early 1970s, confronted by a bleak outlook for recruit quality and the sorts of things that Bob Murray mentioned in his opening remarks, I think the remarkably high quality of today's military would indeed be a surprise.

Let me turn to the second event that I would nominate as an AVF surprise: the high confidence the American public has in its military. Polls make that confidence clear. There was one just a few months ago by Gallup, where 74 percent of Americans said they either had a great deal or a good deal of confidence, or quite a lot of confidence in the military.

The military scored highest of all institutions polled by Gallup, easily besting the other institutions. Nor is this a recent phenomenon. For the past several decades the military has been highest rated in public confidence, according to the Gallup polls.

Indeed, its scores today are lower than some it scored in the past, down a bit from its highs of around 80 percent in the early 2000s saying Americans had a great deal or quite a lot of confidence. Now, Gallup first asked this question in 1973, and they first reported results for the military in 1975. Even at that time, the results weren't bad: 58 percent in 1975 said they a great deal or quite a lot of confidence, but at that time a number of other organizations beat the military—churches, for example.

Unfortunately, Gallup didn't ask this question during the late years of the draft and the Vietnam War. I'm not aware of any other polls that go back that far, but I think had Gallup asked that question in the late1960s, there's not much question in my mind the military would've scored considerably lower.

Late 1960s this country was in a bad mood generally, and specifically unhappy about the Vietnam War. That translated into concerns and sometimes contempt for the military. I can tell you one personal story that illustrates this point.

I graduated from Navy Officer Candidate School (OCS) in September of 1969. Now, Navy Officer Candidate School is in Providence, Rhode Island. I had a girlfriend in Boston. I lived in California, so before I went back home I visited her in Boston. I didn't have any civilian clothes because the Navy, at least at that time, demanded that all your civilian clothes be sent home at the beginning of OCS.

I wore my Navy uniform, with my newly awarded ensign bars. I can tell you I felt physically uncomfortable walking the streets of Boston in uniform in the late 1960s. My girlfriend was appalled that I came visiting in uniform. Esteem and confidence in the military was pretty limited into the late sixties.

Fast forward to more recent years and the situation couldn't be more different. I recall traveling with my military assistant while I was the CFO at DOD. On one trip my military assistant was in uniform, and he was somewhat embarrassed as they asked him to board the airplane first while I was in a considerably later group.

Once they wanted to upgrade him to first class and he said, "No, he's the political appointee. I'm the military assistant." It didn't matter. What mattered was the military uniform and the confidence and the esteem that the American public has for its military.

Now at this point I'd like to digress very briefly, or briefly at least, on the military and AVF and talk about another group of DOD employees, namely, its civilian employees. Here the confidence story is, unfortunately, much different from that of the uniformed military.

Civilian employees apparently are lumped in the minds of the public with the overall federal government, which has low levels of confidence, very low levels I would say. That low level of confidence in civilian employees has at least contributed to results that are disturbing: three pay freezes, unpaid furloughs in 2013 resulting from sequestration, and another furlough during the government shutdown. These folks were ultimately paid, but the incessant criticism from Congress and some others, saying in so many words that DOD and other government employees are overpaid, underworked, and ineffective, is demoralizing.

There's no doubt we need a new civil service system, one that gives us the ability to hire people faster and, when necessary, to fire them faster, among other changes. There's also no doubt in my mind that the great majority of DOD civil servants are performing well and are critical to national security.

I believe we all need to do more to support the civilian employees in the Department of Defense. As a start we need to do what we can to fight for a new civil service system. It needs to be updated.

We also need to tell Congress, and we need to tell the civilian employees themselves, that what they do is important. If you agree with me and you find yourselves in an appropriate public forum, I ask that you try to make the point that government civilians, as well as the military, are important to our national defense. I hope you'll make that point even if it requires a digression of the sort in which I've just engaged.

With that off my chest, let me return to the topic of AVF surprises, including perhaps that high level of confidence. Does any of that high level of confidence reflect the effects of the AVF, or are there other factors? Obviously one other factor is the unpopularity of wars. Clearly a low level of esteem that I postulated for the military in the 1960s reflected the unpopularity of the Vietnam War. Toward the end of the Vietnam War, about seven in ten Americans said they opposed it.

Unpopular wars, obviously, by themselves don't lead to low confidence. The public today has a very high confidence, as I told you. The Afghan war is as unpopular, and maybe in some polls, more unpopular than the Vietnam war. It clearly doesn't lead to low confidence. What does?

The answer here isn't clear. I'm reminded of a story of a woman who took her daughter to her first-ever wedding. The little girl watched with rapt attention as the bridesmaids came up the aisle and was transfixed as the bride came up the aisle. As the bride passed by, she tugged on her mommy's sleeve. She said, "Mommy, why's the bride dressed all in white?"

The mother looked at her daughter and she smiled and she says, "Well, honey, white is the color of happiness, and this is the happiest day of the bride's life." The girl nodded her head. A couple of moments later she tugged on her sleeve and said, "Mommy, why's the groom dressed all in black?"

There probably aren't any black-and-white answers to what drives public confidence in the military. Some factors might arguably lead to lower confidence. There've been some notable slips in military behavior recently. Indeed, I worry the military could fall off its pedestal. I hope they remember that phrase that "Pride goeth before a fall."

What the public sees is that the military can make things happen. It's not always in wartime. In many events, it is in difficult, non-wartime missions. Consider the enormous help the military provided to Haiti after the earthquake in 2010. Or, the help the military provided the Japanese in the early days after the tsunami. The Japanese people learned pretty

quickly and were very grateful for our early assistance. We may witness yet another chapter in the saga of willingness to help, as the military moves to help with the Ebola crisis.

Wars have an influence, but they don't determine public confidence, so this is confidence in the capability of the military to get things done. I also think the AVF did have a role, an indirect role, in building that confidence. Today everyone in the military is there because they want to be there—that surely helps to sustain performance, and that's important.

We also see this when someone in the military loses his or her life in a war or at a peacetime operation. In those tragic circumstances it's common to see comments from loved ones of the fallen soldiers saying something like "we'll miss him, but at least he was doing what he really wanted to do." I don't think you would've seen that kind of comment if we had still had conscription, at least not as often.

I think the AVF contributed indirectly to the military's high public confidence, but is this high confidence a big surprise, an AVF surprise? I'll let you judge, but I can say that if you told me in 1969 as I walked down the streets of Boston in a military uniform feeling very uncomfortable, that by the 1990s, and until today, the military would be far and away the most venerated institution in America, I would have laughed at you. At least for one Navy ensign in 1969, this high level of confidence would have been a major surprise!

My last topic today represents what in my mind is the greatest AVF surprise: that's the ability of the all-volunteer force to sustain long combat. Back in the seventies, there were some analysts who believed the AVF would function well only in peacetime. You can't pay someone enough to get shot at, they reasoned, so how can you go to a marketplace and recruit large numbers of volunteers during prolonged war?

Part-time reserves, who are critical in the event of a large war or multiple smaller ones, were also concerns. The Gates Commission noted in particular they were a special concern.

Despite these concerns there is no doubt that the AVF has succeeded through the longest period of combat in U.S. history. It now totals 13 years, and unfortunately it looks like it will go on for a while.

During this period, active-duty members frequently served multiple tours in Iraq or Afghanistan, and so did some in the part-time reserves. Now it's important to know that not everybody goes to Iraq and Afghanistan, and certainly not all the reserves did. It *was* a substantial, and *is* a substantial fraction, however, who volunteered to enlist or reenlist knowing that they're headed for a war zone.

Throughout, the AVF succeeded in recruiting at very high levels. I've already talked about that. Reenlistment has also fared well. Sometimes the problem has been too much reenlistment. They had to turn people out.

It's true that during part of this period, since 9/11, specifically after the beginning of the Great Recession in 2008/2009, unemployment rates skyrocketed, and that definitely helped improve retention. The AVF was succeeding in meeting recruiting or retention goals before 2008, however, even though by that time the United States was involved in a shooting war, two shooting wars, for more than five years.

Compensation clearly played a role here. Indeed, compensation has become sufficiently high that it is in itself causing concern these days in light of the constrained Defense budgets. The 10th Quadrennial Review of Military Compensation said we ought to set pay around the 70th percentile of compensation for comparable civilian age and education cohorts. It's at the 80th and 90th, well into the 90th percentile now, fueled by decisions on housing allowances and a Congress that used large pay raises as a reward for difficult service.

The cost of these pay raises and benefits has led to some modest changes, cuts in the last few years of $45 billion a year in compensation costs, mainly through reductions and in the healthcare-provider costs. The benefit costs have led to a willingness on the part of the military to further

slow down some of the growth of military compensation. Some of those proposals are being debated by the Congress right now.

Even with slowdowns, compensation will remain high, as it should, but even given substantial levels, I find it surprising that a volunteer, active military could sustain combat for so long with very high rates for recruiting and retention. Especially for those who volunteered in the ground combat jobs and almost certainly knowing that they would lead to Afghanistan and Iraq, it was a risky business and a risky decision.

I suspect the desire for adventure coupled with the desire to be part of something bigger than themselves, and once they got in, to support their buddies, played a substantial role in the AVF success. Of course, the AVF makes these non-pay issues more important, because it permits those who value adventure and this sense of comradeship to select the military as a profession.

I find it even more surprising that the part-time reserve has sustained combat for 13 years under an all-volunteer force. Here it's not just the individual decisions, as was it in the active case, but it's the decisions of employers who are willing to continue to support their employees leaving for extended periods.

In summary, from a perspective of someone looking at AVF in the late sixties and early seventies, I think there have been some surprises. I think the AVF is a direct cause of the high recruit quality; in a random draft we just wouldn't have seen such high-quality, especially in the late sixties.

I think the AVF was indirectly involved in the high levels of public confidence in the military that exists today. I would not have anticipated this. I'm surprised at the ability of the all-volunteer active forces to conduct protracted wars. In the case of the reserves, I frankly am amazed.

What's not surprising to me is the overall success of the all-volunteer force. It was brought to life through careful research and what was done by Walter and many others who, again, are here today. The AVF also represents a return to the norm: conscription has been the exception in

our history, not the rule. Finally, an AVF certainly seems consistent with our democratic principles.

Today is a good time not only to honor Walter, but also to look back and feel good about the events that led to today's highly successful all-volunteer force. It's common today to denigrate everything the government does. The all-volunteer force provides us a good opportunity to remember that the government does some things right.

Thanks for the chance to get this conference started, and I look forward to hearing panels later today. Thank you.