



# The Politics of National Security Budgets

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Gordon Adams

*Gordon Adams is a fellow at the Woodrow Wilson International Center for Scholars. He was previously director of Security Policy Studies at George Washington University's Elliott School of International Affairs. From 1993 to 1997, he was associate director for National Security and International Affairs at the Office of Management and Budget, the senior White House official for national security budgets. He and Cindy Williams are co-writing Buying National Security: Transforming the U.S. Resource Planning Process for the 21st Century for Routledge Press. Dr. Adams was founder and director of the Defense Budget Project from 1983 to 1993, which became one of Washington's leading analytical institutions on defense policy.*

While the Defense Department and America's military forces have emerged as the dominant tool of US statecraft over the last 45 years, it was not always so, and the current imbalance between military and civilian instruments may not serve US national security interests. The evolution in this relationship seems to ignore the advice of eminent strategist General Sun Tzu, who more than 2,500 years ago advocated a "sheathed sword" strategy: "the skillful leader subdues the enemy's troops without any fighting; he captures their cities without laying siege to them; he overthrows their kingdoms without lengthy operations in the field."

The military tool in the national security toolkit is important, but it is most effective when used in a balanced and synergistic way with the other tools: economic, diplomatic, political, and cultural capacities. The US Department of Defense (DoD) says as much in the February 2006 *Quadrennial Defense Review* (QDR), noting that the lack of deployable specialists in other US government agencies has left the DoD as the "default responder" for post-conflict crises. Indeed, the QDR drew the same lesson as General Sun's:

Just as [our] enemies cannot defeat the United States militarily, they cannot be defeated solely through military force.... Victory can only be achieved through the patient accumulation of quiet successes and the orchestration of all elements of national and international power.

There is an irony here. The merger of the Navy and War Departments into a new Defense Department in the 1940s was undertaken in part as a counterweight to the then dominant Department of State. Until then, except for wartime, military spending had always remained relatively low and the armed forces of the United States relatively small. The State Department, on the other hand, had the advantage of a long history of maintaining continuous engagement with other nations.

World War II and the Cold War changed all that. US military forces expanded enormously and, although they shrank after the Second World War, they began to grow again with the emergence of US/Soviet tensions. Defense budgets declined, but rapidly recovered. Ultimately, the United States decided to maintain a permanent military establishment, based on conscription, and to create a central policy institution—the Department of Defense—that would oversee all branches of the armed services.

Even then, the role of the State Department was dominant in US national security policy. The Cold War strategy of containment was shaped at State and the Marshall Plan developed under State Department auspices. The National Security Council was created in 1947, in part to give the new Defense Department a seat at the table with the dominant State Department as national security policy was being shaped.

Over time, the Defense Department has displaced State as the dominant agency in national security policy. From Korea to Vietnam to the 1980s, US forces grew in size, military deployments became global, and budgets increased apace. Success begat success in the bureaucratic struggle over national security policy. Decision making grew more centralized and strategic long-term planning became a standard part of DoD operations, particularly under Secretary Robert McNamara, who had a background in management. A miniature State Department was formed at DoD to manage burgeoning military relations with governments around the world. Ultimately, the regional commanders became significant diplomatic players in key areas, intruding on the State Department's monopoly on diplomacy. While State preserved a strong hand in policy guidance for foreign military assistance, a good deal of planning and execution of this assistance fell to the Defense Department's cooperation offices. Bureaucratically, the Defense Department was increasingly able to raise funds; attract good people; and provide first-rate, long-term training and career mobility.

The State Department and the nation's foreign policy institutions lagged behind. Funding for the diplomatic and economic tools of statecraft, which rose in the 1950s, stabilized and declined over the succeeding decades. The number of State Department employees, including the diplomatic corps, shrank 8 percent from 1990 to 1997, despite a proliferation of new countries and international organizations. Foreign assistance met rising skepticism from a Congress that did not see the national security benefit.

Even as it has grown clear that Defense cannot do it all, the department has continued to push for its own programs to train and equip foreign militaries, a role in stabilization and reconstruction, and leadership in the pursuit of terrorist organizations. At the same time, the Defense Department is calling for strengthened US government partners for these efforts. This ambivalence is reflected in the allocation of national security resources. It has been hard to increase resources and focus the State Department or the economic assistance agencies on these new missions.

Moreover, there has been little effort as of yet to define a broad and integrated strategic mission for the United States that would integrate all its

tools of statecraft beyond a narrow focus on pursuing terrorists and preventing proliferation. There is a broad agenda of national security requirements in the world today, an agenda of problems that provides the fertile breeding ground for terrorism and proliferation: global economic inequality and poverty; failed or brittle governance in key regions of the world; religious and ethnic identity conflicts; energy resource challenges; international crime; and trafficking in drugs, people, and weapons.

Moreover, the ability of the United States to exercise global leadership on these issues is undermined by the current reputation and credibility of the United States overseas, especially what is seen as a unilateral preference for the military tool. Clearly, US military forces should not be the lead instrument for grappling with the major challenges the nation faces or for winning back that good will. While military force and operations can play an important role, diplomacy and economic tools need to be in the forefront of the effort to ensure US security, global stability, and good will. Yet these tools remain both underfunded and, as a result, inadequate to the mission.

Our national security toolkit is unbalanced and its elements are not being used in an integrated, synergistic way. The question is why. What are the underlying causes for this 50-year reversal of policy dominance, for a military asked to take on too many missions for which it must build new capacity? What are the structural disadvantages facing our diplomatic and economic instruments, and what are the obstacles to raising adequate funding for them to play their important part in national security policymaking? This paper examines seven ways in which the Defense Department and the military enjoy a significant edge over the civilian foreign policy apparatus, a position of privilege for the allocation of resources.

### **Advantage One: Institutional and Structural Coherence**

The State Department does not have the unity of structure and purpose characteristic of the Defense Department. The gradual evolution of US foreign policy organization has weakened the ability of the Secretary of State to plan strategically and rationalize foreign policy resources in the service of the nation's national security goals.

US foreign relations have two major dimensions: diplomacy and economic/security assistance, usually described as “foreign aid.” This distinction is important, for the splintering of these functions—and their associated planning, budgeting, and management—has been a major factor in the State Department’s declining influence. State itself was historically the home of the diplomats, dominated by the Foreign Service, whose responsibility is to represent and negotiate on behalf of the United States and report back to Washington on diplomatic, political, economic, and other developments in the countries where they serve.

In the post-World War II world, however, it became clear that the United States needed to be engaged in more than traditional diplomatic relations. Our role as a global power required other forms of engagement, such as economic and security assistance, public diplomacy, international finance, and trade, in part in response to the challenges of the Cold War conflict with the Soviet Union.

However, rather than carry out these missions in an integrated institution, a significant number of new bureaucratic organizations were created for these purposes, starting with the Marshall Plan itself. The consistent trend in the institutional evolution of US foreign relations has been the emergence of new programs carried out by new institutions independent of or only partially connected to the State Department. The resulting patchwork quilt has weakened the coherence of the US foreign relations effort; sapped the Secretary of State’s influence in interagency discussions; and hamstrung his/her ability to make a coherent, strategic case for foreign affairs budgets to the Congress.

Gradually, the international economic engagement of the United States spread out into a variety of institutions, each with its own agenda, its own budget, and its own relations with Congress when it came to raising money. Among notable independent institutions, one could note the Export-Import Bank, which retains the independent status it had when created in 1945, as well as the Peace Corps, which was deliberately created outside the State Department in 1961 in order to ensure its operations were not tainted by US strategic objectives. Most recently, the two most important Bush administration initiatives in foreign assistance—the President’s Emergency Plan

for AIDS Relief (PEPFAR) and the Millennium Challenge Corporation—were both created to operate outside the confines of either State or the US Agency for International Development (USAID).

Each of these agencies has planned its programs and budgets independently of the Department of State as well as independently of each other. In addition, a significant foreign assistance program is planned, budgeted, and administered by the Department of the Treasury—including the United States’ commitments to international financial institutions such as the International Monetary Fund; the World Bank and its subsidiaries; the Inter-American Development Bank; the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; and a variety of funds, large and small, that are linked to many of these institutions. Treasury, not State or USAID, also has responsibility for decisions to forgive debt owed by foreign governments to the United States, and operates its own technical assistance program dealing with financial and budgetary practices in developing countries and the former Soviet Union.

In the end, the State Department retains direct planning and budgetary responsibility in the foreign assistance arena for the Economic Support Fund (ESF); funds for Eastern Europe and the former Soviet Union (so-called SEED and FSA funds); and some of the government’s programs for international narcotics control, antiterrorism, and peacekeeping. Yet even for these, the State Department has limited capacity to administer the programs; often actual implementation for some of them is handled by USAID.

Nor is economic assistance the only area in which responsibilities have migrated away from the State Department; even parts of the diplomatic portfolio emerged over time as separate institutional entities. The US Information Agency (USIA), which ran Voice of America and other overseas information activities, was created in 1953 independently of the State Department (which transferred exchange programs to USIA in 1978). The Arms Control and Disarmament Agency (ACDA) was created in 1961 to conduct US arms control negotiations independently of State. Only after arduous negotiations in the late 1990s were these two capabilities reintegrated

into the State Department, with some uncertainty that their functions would retain the importance they had had in the independent agencies.

As the US relationship with the rest of the world has become more complex, the bureaucratic complexity of the federal government has grown. Increasingly, agencies without any clear connection to strategy and budget planning for foreign affairs have significantly expanded their direct engagement overseas. The traditional foreign affairs agencies play only a small role in US trade policy, for example. The office of the US Trade Representative, created in 1963, has the central task of negotiating trade agreements, with input from Treasury, the Department of Commerce, and State. The Commerce Department also has responsibility for administering US export controls over commercial technology, and for the promotion of US exports, through its own diplomatic service—the Foreign Commercial Service.

The Department of Defense, itself, has global deployments and responsibilities that overlap significantly with foreign affairs functions. These include a major role for the Joint Chiefs of Staff and the Combatant Commanders in relating to foreign governments—particularly Asia, Europe, Latin America, and the Central Command in the Middle East—who maintain a virtually separate set of diplomatic ties in their areas of responsibilities. DoD has for decades had responsibility for implementation of US foreign military relations, including actual implementation of security assistance programs over which State has had policy leadership. Until 9/11 and the Iraq war, US foreign military assistance was planned and budgeted within the Department of State, but increasingly DoD has sought and has been given authorities and funds by Congress to conduct its own military assistance programs—particularly to reimburse foreign governments for their support for US forces in Iraq and Afghanistan and to train and equip allied forces. In addition, the Defense Department is expanding its responsibilities and funding for post-conflict stabilization and reconstruction operations, which overlap substantially with both State and USAID programs.

With the expansion of the global struggle with terrorist organizations, US law enforcement and intelligence gathering has also expanded overseas. Over the decade of the 1990s, the Department of Justice/FBI presence overseas grew

more quickly than that of any other federal agency. These activities are not strategized or budgeted as part of the foreign affairs budget of the United States.

As the international agenda has broadened to cover virtually every field of government activity, US government agencies traditionally viewed as domestic are expanding their overseas activities, funding, and presence. This includes such agencies as the departments of Health and Human Services, Labor, Homeland Security, and Education, as well as the Centers for Disease Control. Essentially, the US government engages the world through virtually all of its departments and agencies. The result is a breadth and depth of government funding and involvement that goes far beyond traditional diplomatic and foreign assistance operations.

There is no coherent planning or budgeting mechanism in the federal government to bring these activities together and examine their synergies. Moreover, the spread of these programs across the government blurs the role and responsibilities of the State Department and the foreign assistance community. In some cases, assistance programs are implemented without any coordination with traditional aid. In other cases, programs in other, nonforeign affairs agencies become the implementers for USAID, carrying out assistance activities using funds transferred from the aid agency.

The relationship between State and USAID itself has been complicated over the past 45 years, with USAID dedicated to a mission of economic development and State Economic Support Funds programs focused on political relations with other critical countries, with little consideration of economic development. As a result, the State-USAID relationship has been fraught with tension.

If authority over foreign affairs functions has no focal point, and the Secretary of State lacks planning control over institutional resources, there is bound to be incoherence to the manner in which the United States engages the rest of the world. Likewise, this incoherence clearly weakens the impact the Secretary of State can have in the competition for the national security dollar.

The contrast with the institutional structure of the Defense Department is palpable. Defense can speak with a significantly more unified

voice in national security policy deliberations, though this was not always the case. In 1947 the Secretary of Defense had a small staff and relatively limited command over the policies and resource planning of the Army, Navy, and Air Force departments. Even then, policies and budget resource requests appeared under the “chapeau” of the Secretary of Defense.

This changed under Secretary of Defense Robert McNamara with a quantum leap in centralized management of the military services and empowerment of the Office of the Secretary of Defense. By instituting the Planning, Programming, and Budgeting System (PPBS), McNamara cemented a central role for his office in defense planning, budgeting, and management. (PPBS is discussed further below as an aspect of defense “culture.”) The McNamara innovation increased the ability of the Defense Department to speak with a single voice, as strategic planning and resource control was no longer scattered throughout the Pentagon. The lines of authority to the Defense Secretary are all internal to the Department of Defense, not scattered amongst competing, independent agencies pursuing separate agendas at will. There is no competing federal bureaucracy that can deliver military capability to carry out the nation’s purposes abroad. The Defense Secretary brings a large, essentially unified capability to the nation’s national security goals, which clearly provides him or her with a leg up in the policy and budgetary debates and decisions both in the executive branch and in relation to Congress.

### **Advantage Two: The “Micro–Politics” of National Security**

The foreign affairs and defense agencies of the United States also have very different profiles in the domestic US economy and society. At the local level, this can be termed the “micro-politics” of national security—the impact on national security politics and budgets of national security employees and spending in communities around the country. In essence, the Defense Department, the military services, and their related institutions have a significant grassroots presence within the country that foreign affairs agencies simply do not. This local presence provides proponents of defense spending with a natural constituency that can be mobilized on behalf of these goals. The foreign affairs community cannot compete with this political asset.

The institutions that make up the US defense establishment are an integral feature of the US geographic and political landscape. While the size of the active duty armed forces has risen and fallen over time, even today, at its lowest post-1950 level of 1.42 million, the active duty force makes up over a third of the total federal government work force. With the addition of the 700,000 civil servants working for the DoD, more than half of all federal employees work for the Department of Defense. Nor are these personnel concentrated in Washington; the majority are scattered across the United States in military bases, offices, and other installations, comprising a local presence supportive of the Defense Department and its mission across the nation.

Nor are these employees the entirety of people with close ties to the military. There are just over a million National Guard and reservists, in cities, towns, and rural areas; two million more military retirees (plus family members); and 26.5 million veterans, scattered widely across the United States. While hardly of one mind on policy and budgetary issues, the Guard/Reserve and retiree constituency are knowledgeable and attentive to military issues, including levels of defense spending.

The active duty military and civilian personnel, as well as the Guard and Reserve, are based at more than 2,500 defense installations—bases, offices, depots, headquarters, and the like—that bring economic benefits to the areas in which they are located. While the number of military bases and defense installations has shrunk since the mid-1980s from more than 5,600 with the declining size of the active duty force, they constitute a large presence in such politically key states as California, Florida, Texas, and Virginia, among other areas.

Local defense installations are sufficiently important to local economies and politics that it proved difficult to close them down, despite the shrinking force structure. Ultimately, a process had to be devised that took the closure decisions out of the hands of elected officials, who defended their local bases, and turned them over to an unelected commission. The commission decided on base closings through four rounds between 1988 and 2005; their recommendations could only be overturned as a package either by the president or Congress. Elected officials could, in the end, both defend their local bases and point to the commission as the source of decision when their installation was closed.

The local impact of defense contracting is the other major element in the micro-politics of defense. Overall, defense spending, especially for contracting, is a much smaller share of the US economy than it was 40 years ago. Yet even after significant consolidation in the defense industry, contractors continue to have an important reach into local and regional economies in the United States as providers of revenue and sources of employment. Major prime contractors like Boeing (formerly McDonnell Douglas) continue to be an important employer in St. Louis, Missouri; Long Beach, California; and Seattle, Washington. Lockheed Martin is economically important to Georgia and Texas, while General Dynamics is significant to the local economy of eastern Connecticut.

The thousands of technology and parts suppliers and vendors who are subcontractors supplying metal parts, materials, wiring, electronics, communications, information, and other gear extend the economic impact even further. As a result, defense dollars continue to be good business in such states as California, Virginia, Texas, and Florida. Specific defense systems can also have measurable local impacts. Calculations of contracting and subcontracting structure for the B-1 bomber, for example, showed that funds were being spent in 48 states and all but a handful of congressional districts. A similar contracting and subcontracting structure exists for such current programs as the C-17 cargo plane and the F-22 fighter.

The defense industry and the Defense Department are conscious of this local impact and make use of this micro-political reality to develop political support for programs as they go through the budget cycle. Contractors mobilize local work forces and communities and encourage them to direct grassroots lobbying efforts to the appropriate members of Congress. Defense firms, their employees, and the constituency of current and former employees of the Defense Department are organized into local and national associations, pooling their interests and activities. Such organizations as the Military Officers Association of America, the Reserve Officers Association, the National Guard Association, the Aerospace Industries Association, the Electronics Industries Association, the National Defense Industrial Association, Association of the US Army, Old Crows (electronic warfare), and many more group together industries and individuals with a stake in the national defense and a commitment

to supporting specific programs and high levels of defense spending.

In sum, the Defense Department can bank on a substantial local base of support—defense bases, personnel, and contracts—in a wide variety of localities. This is not to argue that micro-politics, and micro-politics alone, explain the level and content of defense resources across the board. Strategy, bureaucracy, individual influence, and public attitudes all play a role in defense spending decisions. But the local politics of defense provides an ongoing, sustaining, and powerful constituency to call upon in the budgetary battles.

By comparison, there is virtually no equivalent local and regional base on such a scale for diplomacy. In terms of personnel and locations, the State Department employs nearly 25,000 people. Just under half of these work overseas, and of the remainder, nearly 90 percent work in the Washington, DC, area or at the US mission to the United Nations in New York.

The support for American diplomacy that does exist can be found in local groups who have a policy or political interest in America's foreign relations, such as foreign policy associations, or World Affairs Councils in regional cities. In sum, aside from a policy interest, there is very little micro-political constituency that State or its supporters can mobilize on behalf of its activities. The closest analogy is the relatively new US Global Leadership Campaign, founded with the explicit purpose of urging growth in the foreign affairs budget. The organization includes more than 400 business and nonprofit organizations, from Boeing and the American Israeli Public Affairs Committee to CARE, but dates only to the late 1990s.

The micro-politics of economic assistance, lending, financing, and trade is a slightly more mixed picture. Economic assistance programs also have only a small footprint in the United States. USAID direct employment is quite small at just over 2,000, compared with a 1968 peak of nearly 18,000, with many of those employees based outside the United States. The economic scale of aid spending is similarly dwarfed by defense contracting; the total value of USAID-administered assistance is less than one tenth of DoD budgets for procurement, research, and development. Contrary to popular belief, however, USAID does

not provide a great deal of direct funding to other countries. Between 80 and 90 percent of USAID purchases take the form of procurement of goods and services inside the United States, which are then delivered overseas.

Although the agency itself does not tap micro-political constituents on behalf of its budget, there are national organizations that actively mobilize to support the budget and work with USAID in doing so. For instance, InterAction, founded in 1984, is a coalition of 165 US and international organizations that have headquarters in 25 states. As a result, there is a small, targeted, and vocal micro-political constituency for economic assistance, which plays a role in maintaining funding for these programs in the key congressional committees.

The trade and financial sectors also take a keen interest in the trade and financing programs of the executive branch. Major exporting companies in energy and commercial aircraft; foreign investors in technology, hotels, and tourism; and engineering infrastructure firms all make use of the lending, loan guarantee, and financing programs of the Export-Import Bank, Overseas Private Investment Corporation, and Trade and Development Agency—and lobby for the budget requests of these agencies. Exporting firms also support an open trade policy, including the negotiating activities of the Trade Representative's office. Such organizations as the National Foreign Trade Council, founded in 1914, represent the local, national, and global interests of its 300 members. The resources of these government programs, however, are not large and, given the structural realities already discussed, their decisions tend to be independent of other foreign affairs agencies. However, there is a substantial micro-political dynamic in the trade and financial community that support and sustain their activity.

Overall, foreign affairs budgets do not have the extensive micro-politics found on the defense side of the national security budget. Diplomatic programs have virtually no domestic economic or political base, with the exception of a recent lobbying coalition. Economic assistance programs have a small domestic base, which helps maintain some level of funding for these programs. Trade and investment programs have significant support domestically, but it is corporate, rather than local political, support.

## Advantage Three: Measuring Outputs and Outcomes

Foreign affairs agencies also lack the Defense Department's ability to document the effectiveness and impact their work. Even the most tangible, direct results of diplomacy, treaties, and other agreements take years to negotiate. The bulk of diplomatic activity is devoted to the maintenance of good relations and the promotion of other, seemingly ephemeral, national interests. Economic assistance programs also require a long time to show results, and the link between the results in a recipient country and any one donor country's bilateral program are not easily provable. The development and deployment of force capabilities are easier to measure, and the outcome of combat and military operations becomes clear at some point.

Measuring the performance of agencies and programs across the federal government has become a major priority in federal management policy over the past 15 years. In 1993, Congress passed the Government Performance and Results Act (GPRA) that required all federal agencies to draw up five-year strategic plans, as well as annual performance plans and performance reports measuring the extent to which the goals set down in the strategy and the plan had been achieved. Starting in 1997, all agencies, including State/AID and Defense, drew up strategic and performance plans to conform to this requirement. GPRA was followed by PART (Program Assessment Rating Tool), the Bush administration's program for scoring the performance of federal programs. GPRA and PART represent considerable advances over previous efforts to measure program performance. Yet the contrasts between the planning and evaluation of State Department and foreign assistance management and programs and those of the Defense Department are stark.

The measurement of program "outputs" is the first difference between the two worlds. While Defense Department management is frequently criticized (especially its financial management), DoD can easily point to its "outputs"—the forces, equipment, and training that are funded by the defense budget. The size of the force; the units into which it is organized; the amount of equipment produced; the volume of training and education programs; and the days spent sailing ships, driving land equipment, or flying aircraft are all susceptible to goals being set and results being reported. Measurements can also be

derived for the capabilities and readiness of these forces. They are regularly reported and, as during the 2000 election campaign, can be the focus of political debate. New equipment can be evaluated in terms of performance, cost, and delivery date; successes and failures in meeting these goals are also the subject of policy debate.

The “outputs” of State Department spending are somewhat more slippery. One can count the number of diplomats and the throughput of professional and language training. At the end of the day, however, there is not a piece of equipment, training exercise, or number of operating days that can stand as a meaningful output measure. The quantities of demarches, reporting cables, or embassy construction projects are likewise a relatively thin output index. By and large, however, diplomats are the working human capital that results from the State Department budget.

The output of economic assistance programs is more measurable. The number of dollars spent on specific programs, purchased items installed, students trained in an educational facility, or fishing nets supplied are all such measures. These are, however, much more difficult to track and aggregate than the number of trained forces, a readiness index, or the number of aircraft produced.

In pursuing the nation’s strategic aims, however, one wants to be able to measure “outcomes”—the actual impact of the outputs on achieving desired change, on moving closer to the objectives of the program in question. Outcome measurements are comparatively simple for DoD and the military services. Forces are created to deter attack, defend the nation and its allies, and prevail in conflicts engaged in the name of national interest, as defined by a given administration. During the Cold War, these desired outcomes were a negative with respect to the principal adversary. Under the containment strategy of the era, success consisted in the Soviet Union *not* invading Western Europe, attacking the United States, or expanding the communist sphere. Yet it is not easy to prove a negative. For example, perhaps other factors such as internal weakness explained the absence of Soviet military action. The presumption was, however, that US defense spending, force creation, and military deployment played a role in preventing these outcomes.

In contrast, it is difficult to measure the outcome of diplomatic activity and to link it to our investment in foreign affairs capacity. Negotiations succeed or they fail, but success is often in the eye of the beholder, and it is not always easy to link the outcome to the investment of resources. Negotiations that led to the 1994 Agreed Framework with North Korea, for example, were judged by the Clinton administration as a success, but by critics as a failure that did not halt the North Korean nuclear weapons program. Negotiations to halt the Iranian nuclear activities, possibly including weapons, have not halted that program, but the reasons for that failure may lie more in Iranian intentions and policies than any failure of US diplomacy. The Kyoto Accord on global warming was a diplomatic success, but the US failure to ratify that agreement was a domestic political, rather than diplomatic, decision.

The State Department has made an effort, most recently in 2002, to develop a strategic plan showing connections between real-world outcomes and the department’s activity. Part of the problem, however, is that the outcomes are quite broad—democracy and economic freedom in the Muslim world, or strengthened alliances and partnerships—making them difficult to measure, especially in the near term. Moreover, because many other countries and international organizations, as well as international events, will affect these outcomes, it is difficult to draw a causal link between diplomatic activity and the results.

Economic assistance programs encounter some of these difficulties, but also different ones, when it comes to outcome measurement. The major measurement problem is attributing economic performance in another country to bilateral assistance. US foreign assistance agencies regularly claim success from bilateral programs, arguing vigorously, for example, that the rise of Asian economies was a result of such assistance. Yet programs for Africa have not had a similar impact, suggesting the need for a more comprehensive explanation. Lack of development in many African countries may not be connected to bilateral assistance at all, but to a profoundly complex mixture of such variables as culture, health, infrastructure, education, commodity prices, debt, and weak governance, among others.

Whether it is in terms of outputs or outcomes, foreign affairs agencies face difficulties in demon-



strating the link between budgetary investments and results. The outputs are “softer” than those for defense, and the outcomes more difficult to ascribe to a given cause. The result is that the political system, notably the Congress, tends to discount the contribution of diplomatic and economic assistance to US national security, while giving much more credit to the tangible, quantifiable contribution made by military forces.

### **Advantage Four: Organizational Culture, Training, and Focus**

Differences in institutional culture, training, and focus also separate the Defense Department from the foreign affairs agencies. While generalizations are risky, the defense culture is internally hierarchical and disciplined. It rewards personnel who range across varying job categories (including management) and who have learned to navigate the policy and political processes in Washington, DC. The military provides continuous training in key skills in all these areas. While also hierarchical in structure, the foreign affairs culture, especially on the diplomatic side, emphasizes skills in negotiation, political analysis, and report writing in relatively narrow stovepipes of responsibilities while deemphasizing management. This culture pays much less attention to its interaction with the wider policy and domestic political arenas. On the foreign assistance side, there is more management focus, but less hierarchy, less cross-position mobility, and less focus on policy and political context.

Military training focuses on strategy, war-fighting skills, and technical know-how. At the outset, there is relatively little attention in this training to a specific country or region where combat might take place. The core skill is prevailing over adversaries, at sea, in the air, or on land, and career success is linked to a structured path of rotation between command positions, military management, and joint responsibilities (logistics, acquisition, policy and strategy postings at military headquarters and Washington, DC). A career military officer would typically rise through on-board posts in the Navy, company-regiment-battalion responsibilities in the Army, or air wing positions in the Air Force, followed by a base management slot or a program acquisition position as they move up the promotion ladder. Senior officers might be detailed to defense strategy and policy offices, the Joint Staff, and such external responsibilities as the National Security Council, or to the office of a member of Congress.

Thus in the most senior military ranks, one will find soldiers who are likely to have had a combination of combat, management, joint, staff, and policy experience. They might have worn both uniforms and civilian dress, know how the equipment works, and understand issues such as the planning and budget processes, what their counterparts in the other services and the Pentagon civilians do, and how the senior appointed officials and members of Congress do their jobs. In addition to this richly diverse career path, the military culture of discipline, hierarchy, and responsiveness to orders serves the defense community well in the competition for budgetary resources. Once a decision is made on doctrine, programs, policies, or budgets, the system is organized, responsive, and ready to execute.

In addition, the Pentagon is staffed by nearly 700,000 civil servants in every function imaginable, from management to planning, to administration, to accounting, to medicine, to research. Every aspect of economic and social life in the country has a counterpart in the military—making the military a tightly organized microcosm of American society at large, staffed by personnel who have dealt with every social, economic, and contractual issue faced by the country.

Despite the conventional wisdom that the all-volunteer military is increasingly separate and isolated from US society, the military organizational culture trains its personnel, especially its officer corps, to carry out tasks that are familiar in that society, including management responsibilities that are largely domestic in nature and located in the continental United States. At senior levels, the military culture focuses on the effectiveness of its organizations in the policy process in the executive branch and Congress. This gives personnel skills at managing and explaining programs, skills that make their organizations extremely effective in the policy process. Combined with measurable results; a strong micro-political impact; and a structured, relatively disciplined organizational structure, the defense world is nearly irresistible in advocating for greater authority and resources.

The differences between defense culture, training, and focus and that of the diplomatic and foreign assistance communities are striking. Training for Foreign Service Officers (FSOs), who are the apex of the foreign affairs community, is fairly narrow-

ly focused on negotiation, analysis and reporting skills, foreign languages, overseas representation, and an understanding of foreign cultures. Management, particularly of programs, is not a core element of the training; administration at State is generally provided by civil servants, few of whom have diplomatic responsibilities. Career paths overseas are not as wide-ranging and are outwardly directed, with an ambassadorship the ultimate goal. There is minimal emphasis on the United States' own policy and political processes.

While a few FSOs do take interagency assignments (often as National Security Council staff or a political officer in the Defense Department), rarely does an FSO have hands-on experience in long-term strategic or budgetary planning at State or in congressional relations. Career paths are not generally enhanced by such experience. The focus of the State Department culture is overseas; the skill sets, while important, are not as broad as those for senior military officers. The result is that State is not a strong agency in terms of strategic and budgetary planning, interagency operations, program management, or congressional relations, all of which are strong suits in the Defense Department.

The foreign assistance community culture is more management focused than the diplomatic culture, but the orientation continues to be external. Management has greater emphasis in the training and career path of foreign assistance professionals, as they are directly involved in shaping and implementing assistance programs overseas or are overseeing private contractors who are implementing programs. Training and mobility in this culture, however, focus on activities in countries and regions outside the United States, and on the technical dimensions of economic assistance—agriculture, water supply, education, humanitarian aid, economic planning, or governance issues. International knowledge—of other governments and international organizations—takes precedence in career advancement over an understanding of domestic policy and our own political processes. As with the traditional diplomatic corps, career paths are oriented toward overseas missions.

Foreign aid agencies have an additional handicap. Their emphasis on the imperatives of economic development prompts them to resist linking assistance to broader foreign policy and national security strategy goals. Foreign assistance profession-

als are sometimes wary of such connections, preferring to focus on the long-term goal of economic development, viewed as a long-term US interest, rather than on assistance to countries of strategic importance in the pursuit of more immediate political or security needs. This aspect of foreign assistance culture can make it difficult to persuade policy officials at State, the White House, or Congress that foreign assistance investments pay appreciable dividends for US national security.

## Advantage Five: Planning Culture and Processes

One of the most critical differences between the defense and foreign affairs communities involves their cultures and structures for strategic and budgetary planning. Until recently, the Defense Department has maintained one of the most institutionalized and effective long-term strategic and resource planning processes in the government: the Planning, Programming, and Budgeting System (PPBS, now called PPBES, adding the word *execution*). The structured PPBES process has been essential to the Defense Department's ability to persuade Congress to amply underwrite its budgets. By contrast, the absence of a long-term strategic planning process and the less-structured budgetary processes in the foreign affairs world has undermined any effort to boost resources for diplomacy and foreign assistance.

The Cold War gave the Defense Department a clear frame of reference for planning. If the Soviet Union and the Warsaw Pact worked from a set of presumed strategic intentions and capabilities, then the United States would need a matching or appropriately counteracting set of forces and technology to deter, defend, or prevail in the event of armed confrontation. Though the Soviet threat may have been overstated, the political process accepted the premise that the United States must remain competitive with the Soviet Union, especially technologically, which naturally drove defense spending.

The DoD planning and budgetary process had a built-in long-term focus because the strategy of deterrence and containment was a near-constant, stretching for decades, and because the “outputs” of defense took significant time to develop and deliver. Military forces are not built or trained overnight. A ready division for the Army, air wing for the Air Force, or battle group for the Navy takes years to assemble; has a long, predictable

and measurable cycle between preparation, deployment, down-time and new preparation; and has costs over that time that can be predicted with reasonable accuracy. Military hardware takes a long time to develop (sometimes upwards of ten years or more), and several years to produce.

It is worth noting that the transparency and predictability of defense budgets has eroded significantly over the past five years. The disappearance of the Soviet threat complicated the strategic equation and made the choices of certain types of forces more debatable. Moreover, the use of emergency supplemental budget requests to fund operations in Iraq and Afghanistan has seriously undercut the credibility of the PPBES process. This means that by 2005 roughly 20-25 percent of the resources available to the Defense Department had not been put through the normal budget planning process inside the Pentagon. The PPBES process itself has lost focus, as a result, with services adding funding and programs to the less-scrutinized supplemental request that would normally have passed through the PPBES system. Although this has meant, in the short run, even more resources for DoD, in the long run it has come at a cost to the credibility of the budgeting process and could affect future budgets after the Iraq and Afghanistan campaigns have ended.

The fundamental DoD commitment to a multiyear structure planning process and culture, however, remains largely intact. Costs can be estimated over time and are relatively predictable. It is possible to forecast a reasonable future along with its budgetary requirements. Even if that future is, to some extent, a “guess” or projection, the mere act of going through the process focuses the DoD on the relationship between means and ends over time, and potential downstream budgetary requirements. The process is unique in the executive branch, giving defense plans an unusual degree of transparency, solidity, and consistency. The detail and painstaking justification for each element of DoD spending provides a degree of political “heft” to the defense budget request other agencies lack.

The foreign affairs world has had no such strategic planning or budgetary process. Budgets for diplomacy and foreign assistance are written year by year, with little direct link to strategic goals and harder-to-calculate outputs. A concept like

“detering and defeating the adversary” has no similarly clear analogue in the diplomatic or assistance framework. Partly for this reason and partly because of the structural problems in the foreign affairs world discussed earlier—the foreign affairs agencies have no institutionalized, long-term strategic planning process to guide and rationalize program and budget decisions.

As noted above, the GPRA process requires State, along with all federal agencies, to develop a strategic plan. A significant internal effort was mobilized to draft such a plan, which has been updated, most recently jointly with USAID in 2003. While the strategy covers multiple years (2004-09), it does not give clear enough parameters for budget planners. Moreover, it enumerates all the activities of the two agencies, but without giving clear priorities within an overall strategic design. And because the strategic plan remains disconnected from the budget process in the other foreign affairs agencies, it is not on a par with DoD’s comprehensive presentation.

The State Department structure and process changed again in 2005 with the creation of a new position: Director of Foreign Assistance. The Policy Planning staff at State had engaged in a yearlong examination of the process for strategy and budget planning and concluded that a more concentrated responsibility for assistance programs was needed. There was not, however, an accompanying effort to seek changes in statutes that would support this mandate. To deal with the USAID coordination problem, State decided to dual-hat the Director as Administrator of USAID.

This new office (known as “F” in the State Department) has made some progress in laying out strategic objectives for broad assistance categories, such as “peace and security,” “governing justly and democratically,” “investing in people,” “economic growth,” and “humanitarian assistance.” It has also categorized aid recipients into different levels of state capability, such as “rebuilding,” developing,” “transforming,” “sustaining partnership,” and “restrictive,” as well as a residual category for “global programs.”

The developments at State are clearly an improvement over previous practice. They fall well short of the PPBES process at Defense, however. While broader categories have been more closely tied to budget choices, the categories are not yet a full-

fledged strategy, their link to budgets is not yet as clear as it needs to be, and the process does not focus on the long term. The new departmental architecture still lacks a statutory basis, and its process is not really systematic or institutionalized. Dual-hatting works to bring USAID planning and State program planning closer together, but it leaves the Director of Foreign Assistance as both an adjudicator and a claimant on budget resources, the latter wearing his/her USAID hat. US missions in the field experience the process as top-down; it is not clear how their country-based preferences are incorporated by the director.

Most serious for a coordination of foreign affairs budgeting, the process run by the new foreign assistance director is not comprehensive. Within State, spending for personnel and management (“operations”) and for assessed contributions to international organizations has moved back to the Management (“M”) bureau for budget planning. Moreover, significant US foreign assistance programs are not included in the new process, including the Millennium Challenge Corporation, the HIV/AIDS program, Treasury Department funding for international financial institutions, the Export-Import Bank, the Peace Corps, and the other smaller foreign affairs operations. There has been no effort to integrate the growing assistance programs in agencies such as the FBI and the US Department of Health and Human Services, which are primarily domestic in focus.

From the budgetary politics perspective, while foreign affairs strategy and budget planning is moving incrementally toward a more centralized and rational system, it falls well behind the DoD process in structure, institutionalization, and credibility.

### **Advantage Six: White House Treatment of the Defense and Foreign Affairs Budgets**

Once the budget requests are issued by the agencies, the proposals for defense and foreign affairs are treated differently by the White House. Not surprisingly, the difference in treatment further disadvantages foreign affairs budget requests. Defense budgets are better integrated and receive earlier and more intensive scrutiny by the White House. Foreign affairs budgets lack integration and are considered later in the White House process.

Defense budgets receive an almost unique treatment by the White House Office of Management and Budget (OMB). OMB is involved with defense budgets through a “joint review,” a much earlier involvement of OMB in the internal budget planning process than any other agency receives. White House budget examiners will meet with military service (Army, Navy, Air Force) budget offices as they prepare the first stage of the budget in the Pentagon, the services’ Program Objective Memorandum (POM) process. Once the services have reported their POMs to the Secretary of Defense, OMB is directly involved in important program and budget decisions, participating at all levels of discussion.

OMB also holds its own hearings in the Defense Department on programs it is especially interested in or concerned about. The Director of OMB holds a Director’s Review of the defense budget drawing on all of this information, and passes back guidance to DoD where it feels it necessary. In other words, at every step in the defense budget planning process, OMB is in some way involved, sometimes via meetings between the OMB Director and the Secretary of Defense. By the time DoD is ready to transmit its budget numbers, there are no surprises for the White House, and the few remaining issues can be resolved at a senior or even presidential level.

In the case of foreign affairs, there is not one single integrating office in the foreign affairs world that pulls together all requests and processes them in one place, though the State Department has made modest progress in this direction. Historically, all the foreign affairs agencies’ budget requests have come together for the first time in the division of OMB, which has responsibility for both defense and foreign policy. Officials of this division become involved in the foreign affairs budget processes as soon internal agency deliberations are complete, but, until recently, not during those deliberations.

The OMB foreign affairs process has been less intrusive than its defense process. Moreover, OMB at times fills the void as an integrator of the foreign affairs request in the absence of a coordinated process for the agencies. The result can be contentious and complex negotiations over budget items, since OMB did not have a chance to acquaint itself with the issues earlier in the process.

With the more recent reforms at State/USAID, OMB's involvement has begun to change as well in the direction of earlier involvement. It is still too early to tell if this early engagement will produce a less contentious process at the end of budget planning, but its absence has clearly been to the disadvantage of the foreign affairs budgets in the past.

### **Advantage Seven: Congressional Treatment of Defense and Foreign Affairs Budgets**

Congress also treats the two parts of the national security budget differently. Once budget requests have passed through the House and Senate Budget Committees, the authorizing committees differ enormously in their handling of the budget requests, with the powerful defense committees (Armed Services) paying considerably more attention than the foreign affairs authorizers (Foreign Relations/International Affairs). At the appropriations level, where the money is actually approved, defense budgets are handled by a relatively unified set of strong committees, while foreign affairs jurisdiction remains divided.

In the Budget Committee, treatment of the two budgets is relatively straightforward. Defense is treated as one budget "function" (050), including the Department of Defense, nuclear programs at the Department of Energy, strategic stockpiles, and some smaller defense-related programs. Foreign Affairs has its own budget function (150 International Affairs), which is the only place in the process that all of the foreign affairs funds (diplomacy, foreign assistance, finance) are considered together. While the Budget committees hold hearings and hear testimony from the Secretaries of Defense and State, the committees have no authority to make decisions involving programs within the budgets, but rather merely decide on the overall levels.

Even at the level of setting gross totals, however, foreign affairs budgets are at a disadvantage. If Congress and the executive branch put aggregate limits or ceilings (referred to as "caps") on overall discretionary spending, as was true from 1985 to 2002, this squeezes the entire federal budget. If those caps include separate "sub-caps" for defense and non-defense spending, as was true from 1991 to 1993 and 1996 to 1999, foreign affairs funds are lumped into the non-defense

spending category, which also includes popular domestic spending programs. This asymmetrical treatment inevitably leads to cuts in foreign affairs, which involve no political pain for the legislators. Defense, which has had its own sub-cap, tends to escape such severe reductions.

As the Budget committees prepare their ceilings, they solicit the views of the authorizing and appropriating committees for defense and foreign affairs. The authorizing stage is one where the foreign affairs budget suffers especially from inattention and inaction. The House and Senate Armed Services are powerful committees in Congress, and play an active and direct role in the budget process, holding hearings and authorizing budget levels for specific defense programs. The Senate Foreign Relations and House International Affairs committees, on the other hand, have been weak, dedicating their attention largely to policy hearings but playing virtually no role in foreign affairs budgets. These committees have passed authorizing legislation for State Department operations for some years, but have not passed an authorizing bill for foreign assistance in roughly 20 years. The result is that national security budgets arrive at the appropriations stage with the defense request already enjoying considerable support and momentum, while foreign affairs budgets have suffered from neglect and with little real support or ownership.

Defense funds are appropriated by three different subcommittees with separate areas of responsibility. One of these considers the nuclear programs at the Department of Energy, along with other energy and water issues. The major funding—the Department of Defense—is allocated to two subcommittees, both largely dedicated to defense: defense appropriations and some version of a defense quality of life and military construction subcommittee (the House subcommittee includes Veterans Affairs). Essentially, defense is considered by two subcommittees that are largely focused on defense issues and have a highly rigorous and well-established process for considering the budget request. In both subcommittees, Congress members with a particular local interest will add "earmarks" or "member requests" to the administration's budget request. This is a manifestation of the micro-politics of defense discussed earlier.

Until 2005, two separate appropriations subcommittees in each house considered foreign affairs funds. One of them, the Foreign Operations subcommittee, considered foreign assistance funds. The other, the subcommittee on Commerce, Justice, and State, voted on the State Department operational and international organization funds, along with the appropriations for the departments of Commerce and Justice.

Foreign aid has never been popular in Congress, in part because of the absence of micro-politics and in part because of the dispersal of the programs and the difficulties assessing outcomes, all discussed above. As a result, the Appropriations Committee chairs often give the Foreign Operations subcommittee a budget allocation that is generally well below the administration's request. The Foreign Operations subcommittee thus has to make do with lower funds and must cut individual programs in the budget request to fit within a smaller allocation.

The allocation for the Commerce, Justice, and State subcommittee is shared between all three major departments. In general, this subcommittee takes a greater interest in programs funding domestic technology (Commerce) and police and justice issues (Justice/FBI) than in operations of the State Department, which has a smaller share of the funds that the subcommittee is responsible for. The State Department's appropriation is thus subject to another resource squeeze akin to the budget caps.

The impact of the differences between defense and foreign affairs already discussed are cumulative by the time the budget requests arrive in Congress. Large, well-planned, integrated budgets that have ample supporting justifications from a single institution, show major domestic economic and political impacts, and are presented by an experienced team do well in Congress. Budgets that emerge from multiple stovepipes, do not include future planning or a clear link to strategy, have limited domestic impacts, and are presented by a team that is not trained or focused on the domestic politics of national security do not do so well in Congress. The asymmetries of Congress itself only compound the problem.

### What Is to Be Done?

As the quotation from General Sun Tzu suggests, a powerful nation that deprives itself of a bal-

anced toolkit of statecraft is condemned to using its military instrument unnecessarily and to excess. With the relatively modest resources the United States has committed to diplomacy and foreign assistance, and the major expansion of its military capabilities, the United States has a deficient and poorly integrated toolkit. The result, as experienced in Iraq, is that the United States has relied on its military to carry out diplomatic, foreign assistance, stabilization, reconstruction, and governance activities for which the military instrument is ill-suited and ill-trained.

Moreover, as a legacy of inadequate planning and inattention, when the United States does put its diplomatic and foreign assistance tools to the test they tend to be underfunded, inadequately staffed, and undertrained for the tasks at hand, especially in situations of conflict or reconstruction. As a result, the execution of non-military functions is often disorganized, slow, and inadequate. Instead of working in sync, military and non-military components tend to conflict, talk past each other, or duplicate efforts.

It is increasingly critical for the United States to grapple with this problem. Its international leadership is in question, as is the effectiveness with which it can reach its national security goals. The national security issues the United States faces demand an integrated use of diplomacy, assistance, and military capabilities. None of today's challenges, whether they involve failed states, poverty reduction, terrorism, or the proliferation of nuclear weapons can be dealt with by military resources alone. Only a coherent strategy and a coordinated use of its capabilities will allow the United States to regain the ground it has lost in international respect.

How might the United States reverse this trend? It is not enough simply to call for more spending on diplomacy and foreign assistance and less on the military. All the tools need to be funded wisely, each has to be organized for effective operations, and the opportunities for synergies between them need to be exploited. Steps to consider include:

- **Giving the set of tools a common framework of an integrated national security strategy and a program and budget guidance devised with integration in mind.** The executive branch needs to engage seriously in a structured, regular national security planning process across the involved

agencies. There is no such process today, but it will be key in integrating the tools of statecraft for today's security issues. In brief, this would mean a quadrennial review of national security priorities at a level more detailed and closely held than the National Security Strategy of the United States, which is little more than a public relations brochure. This quadrennial review should be tied to a biennial National Security Planning Guidance, as suggested in the most recent DoD Quadrennial Defense Review. Such a classified guidance, developed with the participation of the agencies, should focus on cross-cutting national security priorities and provide detailed program and resource instructions to the agencies. It should be carried out under National Security Council leadership, together with the Office of Management and Budget. It could focus on such key cross-agency policy areas as counterterrorism, post-conflict reconstruction and failed states, homeland security, or counterproliferation. Its decisions would be integrated into agency budgets and those budgets should be bound together as a single document transmitted to Congress. It would clearly link diplomatic and assistance activities and programs to overall national security goals, along with the military element, eliminating the separation between the tools.

- **Integrating more closely the practitioners of the different arts of national security.** The United States needs to create an interagency national security culture, ensuring that diplomats, assistance administrators, and senior military officials serve in one another's institutions and better understand one another's internal cultures. The "purple suit" reform instituted in the Defense Department by the Goldwater-Nichols Act of 1986 has led to a substantial change in the senior military officer corps, which can now plan and operate across services and achieve greater synergy between land, sea, and air forces. Something similar is needed in the broader national security culture so that soldiers understand foreign assistance better, foreign aid personnel understand the military mission, and diplomats understand the functions and value of the other two tools.
- **Greater coherence and integration within diplomatic and foreign assistance strategy and budget planning, increased focus on the long term, and detailed evaluation of the outcomes of these activities and programs.** Closer symmetry

between the DoD and foreign affairs programming and budgeting processes would facilitate integration of the two based on a shared strategy. The reform process at State has made progress, but those reforms are not institutionalized. Substantial parts of US foreign assistance are not included in State's sphere of authority, including Treasury programs, the HIV/AIDS initiative, the lending institutions, and the Millennium Challenge Corporation. Clearly a more bold solution is needed to achieve real coherence in the foreign assistance program.

- **Stronger emphasis on program planning, budgeting, and management in the organizational culture of the Foreign Service.** These are still under-appreciated skills in the diplomatic community. Their absence has an impact, however, on the effectiveness of program implementation overseas, and on the credibility of the State Department in Congress.
- **Reform of congressional structures and processes for dealing with national security resource allocation.** The Budget Committee should take a single national security budget submission and consider all of its elements together, even considering a single budget function for national security as a whole. The foreign affairs authorizing committees need to reassert a role in the program and budget process, holding joint hearings with the defense authorizing committees on the integrated administration budget request. Hardest of all, the Appropriations committees need reform in this area, at the very least harmonizing House subcommittee jurisdiction with the Senate reform in Foreign Operations so that all of foreign affairs spending is considered in the same subcommittee. Joint appropriations hearings on national security would also help integrate congressional awareness of the relationship among the tools of statecraft.

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The Stanley Foundation  
209 Iowa Avenue  
Muscatine, IA 52761 USA  
563-264-1500  
563-264-0864 fax  
[info@stanleyfoundation.org](mailto:info@stanleyfoundation.org)

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The Stanley Foundation  
209 Iowa Avenue  
Muscatine, IA 52761 USA

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