

REPORT DOCUMENTATION PAGE				<i>Form Approved</i> OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing this collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0188), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. PLEASE DO NOT RETURN YOUR FORM TO THE ABOVE ADDRESS.					
1. REPORT DATE (DD-MM-YYYY) 10 May 2007		2. REPORT TYPE FINAL		3. DATES COVERED (From - To)	
4. TITLE AND SUBTITLE Keepers of the "CAN'T MANUAL": The Role of the Financial Manager in Joint Operations				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S) Maj Michael R. Hodson, USMC Paper Advisor (if Any): N/A				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Joint Military Operations Department Naval War College 686 Cushing Road Newport, RI 02841-1207				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION / AVAILABILITY STATEMENT Distribution Statement A: Approved for public release; Distribution is unlimited.					
13. SUPPLEMENTARY NOTES A paper submitted to the faculty of the NWC in partial satisfaction of the requirements of the JMO Department. The contents of this paper reflect my own personal views and are not necessarily endorsed by the NWC or the Department of the Navy.					
14. ABSTRACT Financial Management (FM) is not often discussed as a warfighting function. Rather, in the few instances where one can find references to the FM community in academic military literature, it's generally cited as being obstructionist and unnecessarily inhibiting the commander's intent. This is complicated by a general lack of understanding on the part of the warfighter regarding the sources of funds, their restrictions, and the consequences of using them improperly. At the same time, the financial managers all too often retreat to being mere accountants and fail to proactively train to meet the needs of modern warfare. The future will require an expanded role for the financial management community; one that extends beyond navigating appropriation laws and instead reaches out to close the seams between the military, the interagency and the affected region's economic infrastructure. The Comptroller needs to become the Commander's financial expert who can connect commander's intent, economic forces, other governmental and non-governmental organizations and fiscal resources to successfully transition through the phases of modern warfare.					
15. SUBJECT TERMS financial management, Comptroller, appropriations					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES 18	19a. NAME OF RESPONSIBLE PERSON Chairman, JMO Dept
a. REPORT UNCLASSIFIED	b. ABSTRACT UNCLASSIFIED	c. THIS PAGE UNCLASSIFIED			19b. TELEPHONE NUMBER (include area code) 401-841-3556



NAVAL WAR COLLEGE
Newport, R.I.

Keepers of the “CAN’T Manual”:
The Role of Financial Managers in Joint Operations

by

Michael R. Hodson

Major, USMC

A paper submitted to the Faculty of the Naval War College in partial satisfaction of the requirements of the Department of Joint Military Operations.

The contents of this paper reflect my own personal views and are not necessarily endorsed by the Naval War College or the Department of the Navy.

Signature: Michael R. Hodson

10 May 2007

Abstract

Keepers of the “CAN’T Manual”: The Role of Financial Managers in Joint Operations

Financial Management (FM) is not often discussed as a warfighting function. Rather, in the few instances where one can find references to the FM community in academic military literature, it’s generally cited as being obstructionist and unnecessarily inhibiting the commander’s intent. This is complicated by a general lack of understanding on the part of the war-fighter regarding the sources of funds, their restrictions, and the consequences of using them improperly. At the same time, the financial managers all too often retreat to being mere accountants and fail to proactively train to meet the needs of modern warfare. The future will require an expanded role for the financial management community; one that extends beyond navigating appropriation laws and instead reaches out to close the seams between the military, the interagency and the affected region’s economic infrastructure. The Comptroller needs to become the Commander’s financial expert who can connect commander’s intent, economic forces, other governmental and non-governmental organizations and fiscal resources to successfully transition through the phases of modern warfare.

Table of Contents

Introduction	1
The Resource Management Environment	2
Improvements to Financial Management within the DoD	7
Financial Management and the Interagency	10
Financial Management as a Critical Element of Joint Operations	12
Conclusion	17
Bibliography	20

Introduction

Is financial management an operational function? Its omission in Vego's opus would tend to suggest it is not. Navy Warfare Publication 5-01 (Navy Planning) doesn't list the J-8 as one of the directorates. The Naval War College's student paper library doesn't offer a single essay on it. Finance is rarely mentioned elsewhere either; other than when it directly relates to larger funding issues such as the POM or when it intersects other disciplines such as logistics or civil affairs. In those instances, financial processes are generally listed as impediments such as Marine LtCol DeFrancisci's assessment that during counterinsurgency operations in Iraq "the desire for centralized fiduciary oversight at division level with redundant checks and balances created a cumbersome approval system replete with bottlenecks."¹ Is this the best we can do? With a defense budget that exceeds the combined expenditures of the next forty three nations² are the "bean counters" more than merely an annoyance? If they are, what role does financial management (FM) play in operational planning and what do the planners and leaders in the DoD need to know about integrating fiscal realities into their operational plans?

Certainly the financial manager's primary responsibility is assisting the commander in navigating the difficult legal, procedural, and doctrinal challenges associated with appropriated funds. However, the FM community has been too internally focused and has failed to evolve quickly enough to fully leverage the United States' military efforts. This paper will examine those inherent challenges as well as advocate for a greater role for the financial managers in our modern warfighting environment. To do so, it will work progressively outward; from the internal resource environment, to the

opportunities to connect the interagency, and finally to discussing means to coordinate military actions with sound economic policy.

The Resource Management Environment

In order to examine the somewhat contradictory roles of the FM community, one must first recognize that fiscal requirements and responsibilities lie at the intersection of the executive and legislative branches of the government. The President and the Secretary of Defense have great discretion in the employment military forces but are, by design, constrained in that application by the laws created by Congress. Generally, this exists with only minimal conflict to the military commander as it occurs at the strategic level; promotion processes, pay scales, force limits, acquisition programs and many other significant aspects of military power and employment are largely inherited by the military with almost academic distinction regarding whether such decisions were the result of policy or law.

However, Article I of the United States' Constitution reserves several distinct functions for the Legislative Branch including the authority to "raise and support Armies..., provide and maintain a Navy..., [and] to make rules for the government and regulation of the land and naval forces." Further, section nine declares "No money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law." This "power of the purse" is the most common point of friction between military commanders and their financial managers who represent that link to the Treasury.

This has been further strengthened through subsequent decisions, laws, policies, customs and Supreme Court decisions. In particular, the MacCollom decision of 1976 declared that "the established rule is that the expenditure of public funds is proper only

when authorized by Congress, not that public funds may be expended unless prohibited by Congress.” This case further restricted any sense of “commander’s discretion” in the execution of any budgetary authority passed to the commander through the appropriation process and subsequent executive apportionment.

The budget authority passed to a commander is subject to three primary, and frequently misunderstood, dimensions to determine their availability for execution under chapter 31 of the U.S. Code (USC), generally referred to as Purpose, Time, and Amount.

Any obligation made by a member of the executive branch using funds that fail to meet all three of these criteria are subject to sanction under the various statutes (often indiscriminately referenced to 31 USC 1517) known collectively as the “Anti-Deficiency Act” (ADA). Any such violation requires that “the head of the executive agency...shall report immediately to the President and Congress all relevant facts and a statement of actions taken” and allows for penalties including dismissal, fines, and up to two years imprisonment per offense (each expenditure) regardless of whether the violation was intentional or the result of unforeseen circumstances such as cost over-runs, emergencies, or simply incorrect (or untimely) information. This is problematic; the GAO acknowledges that “DOD has long-standing problems with financial systems that are fundamentally deficient and are unable to provide timely and reliable data.”³ Violations of these statutes are common; there were 20 admitted violations in FY 2005 and 13 already discovered and submitted for FY2006.⁴

One frequent cause of these violations is the use of funds that, while otherwise appropriate in Purpose, Time, and Amount, was determined by the Government Accounting Office (GAO, headed by the Comptroller General) to be illegal due to

“another appropriation which makes more specific provision for such expenditures.”⁵

This specific cause was noted by the Commandant of the Marine Corps in a rare “White Letter” entitled “Proper Use of Funds.”⁶ Alternatively, the Purpose statute is also violated when one service funds activities by another, even when done at that service’s request, unless the funding service performs 51% of the task. Other issues stem from the timing of obligations (further complicated by belated Congressional appropriation / authorization acts and emergency supplemental funding); Operations and Maintenance (O&M) funds for each service are annual and may only be obligated during that year even when future needs are known. Conversely, prior year obligations must be increased when costs incurred during that year settle higher than initially projected; a common cause for ADA violations.

Further complicating the use of funds, it is not merely the commander who is liable for the fiscal decisions. Certainly his comptroller as the “duty expert” would expect to be accountable for errors but in fiscal matters as “Fund Certifying Official” he also bears personal pecuniary liability. Additionally, the law dictates that the burden of proof falls to the financial manager who is presumed negligent for the loss of appropriated funds unless or until he can establish his innocence. So, while imprisonment under the Anti-Deficiency Act is highly unlikely, de facto “fines” of tens of thousands of dollars are common under the concept of pecuniary liability. This problem is so widespread and insidious that the GAO has declared “improper payments are a long-standing, widespread, and significant problem in the federal government.”⁷

Finally, the financial decision-making process is hampered by the many disparate functions assigned to, and associated with, financial management. In fact, such division

is essentially mandated by Public Law 104-106 (1996) which requires comptrollers to be “independent and organizationally separate” from the paying functions. So, the Comptroller must be responsive to military commander and personally responsible to the Treasury for any outlay he approves while not actually owning any of the processes in which payments are made. These process, of course, contribute their own cumbersome requirements and regulations as described in literally thousands of pages from the DoD Financial Management Regulations, the Federal Acquisition Regulations, and dozens of legal and procedural manuals which often conflict with each other.

Additionally, each service utilizes its own individual budgeting and accounting software and procedures; greatly inhibiting fluid joint operations. For example, an Army service member might travel at the request of an Air Force command but would have to send his travel claim to an Air Force disbursing office rather than submitting to his parent command as he could with any other DoD appropriation. Or, while Marine aviators will commonly travel on Navy “blue dollar” funding their orders cannot be issued through the Defense Travel System due to the Navy’s software.⁸

Joint Pub 1-06 does suggest that JTFs have an Executive Agent (EA) appointed by the DOD (one service who will be funded and responsible for handling the funding and administration of “multi-service contract costs, unique joint force operational costs, special programs, joint force headquarters operational costs, and any other designated support costs”) although this has had limited success. For example, as late as February 2007 the Army and Marine components of CENTCOM were still contemplating how this arrangement would be implemented despite years of ongoing operations in the

CENTCOM AOR.⁹ As in many instances, financial reality is much more difficult to implement than what the concept publications indicate.

If these conflicts and requirements are burdensome in peacetime, they are magnified during actual military operations. One obvious reason is that once the financial personnel leave the realm of “routine” funding decisions the workload, complexity and uncertainty are all magnified. No longer are decisions so clear cut or is readily citable precedence available. New sources of funds, each with their own legal constraints and restraints, and various sources of authority become pertinent including

- Overseas Humanitarian, Disaster and Civic Aid (OHDACA)
- Humanitarian and Civil Assistance (HCA)
- Foreign Disaster Assistance
- CCDR Initiative Funds (CIF)
- Traditional CCRD Activity (TCA)
- Peacekeeping Operations funds (PKO)
- International Military Education and Training (IMET)

This becomes further complicated as other elements of the federal government get involved (each with their own appropriations, regulations, and procedures), leaving the FM personnel to question which fund should be cited and whether they’ll be personally liable after the GAO or DFAS audit that will almost certainly follow. In fact, “Judge advocates from Operation Joint Guard report that these issues take up to 90% of their time.”¹⁰ Even SJA guidance is sometime less than certain:

Judge advocates advised that DOD funds could lawfully be spent on certain emergency relief and reconstruction projects because coalition forces had assumed responsibility as an occupying force. Yet uncertainty over legality, combined with conservative fiscal procedures, inhibited direct expenditure of service component operations and maintenance (O&M) funds to purchase goods or services locally for humanitarian requirements.¹¹

Financial procedures are cited or alluded to in several Joint Publications. Of course, none of these actually carry the weight of law. Rather, they often have the unintended consequence of assuring the operational planner that their actions are

supported but are not legally definitive in themselves. For example, Joint Publication 3-07.1, Foreign Internal Defense, states (emphasis added):

The participation of US forces in these exercises, primarily designed to enhance the training and readiness of US forces, is funded by the O&M funds of the providing Service or USSOCOM if SOF are involved. Airlift and sealift may be provided by the combatant command from its airlift and sealift budget. Certain expenses of HN forces participation may be funded by the developing country multinational exercise program as arranged by the conducting combatant command. These expenses differ from [Security Assistance] funding because SA is designed to train [Host Nation] forces, whereas multinational and selected joint exercises are designed to train US forces in combination with HN forces.

Joint Publication 1-06, Joint Tactics, Techniques, and Procedures for Financial Management during Joint Operations purports to be “a single source financial management document for commanders, staffs, logisticians, and resource management and financial personnel at the joint operational level.” Given the difficulties discussed already, this seems a bit presumptive. Indeed, the distinct functions listed are certainly important but are neither completely well developed competencies nor particularly force multiplying in today’s asymmetric warfighting environment. Certainly guiding the JTF commander through the morass of fiscal pitfalls is essential but this bookkeeping function is both too restrictive and too internally focused to fully capitalize on the United States’ national power in the modern “three block war.” In other words, even military planners should be incorporating the “E” into their COA analysis and supporting efforts. Thus we understand LtCol DeFrancisci’s frustration with the fiscal bureaucracy.

Improvements to Financial Management within the DoD

What can, or should, the FM community contribute to the warfighting effort? LtCol DeFrancisci is hardly alone in expressing frustration; one might well accept the responsibilities incumbent to financial managers yet still accuse them of being

obstructionist. This is regretful; a well integrated financial management program can be the linchpin of a successful joint operation.

First, one must expand the integration of the FM community. In this regard, the community itself is largely to blame as we have allowed ourselves to become irrelevant in most peacetime training evolutions. Certainly major command's fiscal officers are concerned about the amount of fiscal resources allocated to an exercise as they directly expand or contract the size of the evolution, but once those decisions are made the exercise is generally treated as "bought and paid for" and any other fiscal issues are "fairly dusted" away as either irrelevant or assumed accomplished. Consequently, there are rarely financial managers on site and, when there are, they have very little responsibility since they are prohibited from possessing the ability to actually expend funds (the role of supply and contracting personnel, et al). This is not only unrealistic; it certainly cannot help the interaction between the gainfully employed operations personnel and their seemingly unengaged resource managers.

Instead, comptroller training needs to be deliberately planned as well. This should include the fiscal equivalent of an opposing force which will generate unexpected needs or situations upon the financial personnel. An example might include realistic scenario-driven training that provides specific, challenging, and multi-function predicaments to the supporting functions of the task force. The G-8 at Marine Forces Pacific, with notable command support, has recently injected financial management play into scenarios developed by the other sections¹² (as noted below) which will almost certainly yield more effective and responsive financial management by producing better trained and more capable personnel.

SELECTED COBRA GOLD 2007 FM MSELs

MSEL Title : Contract Employees Riot

Training Objective: Conduct Planning to Coordinate Civil Military Operations within the JOA

Description: Once again an angry crowd of contract workers has developed outside a U.S. compound claiming to not being paid. Vendor was paid by U.S. for the services rendered. Component commanders requesting policy be developed to prevent further instances of this occurring

Expected Action: Policy developed that will prevent ensure vendor employees are paid the amounts they agree to work for.

MSEL Title : Lodging, Feeding, Transportation of Non Governmental Organizations (NGOs) and media personnel.

Training Objective: To make a plan or order that reflects the concept and intent of the geographic combatant commander's campaign plan or that of a supported commander, plans include intelligence collection, logistic plans, and rules of engagement

Description: Due to local unrest, security concerns, and coordination purposes NGOs (including media organizations) have requested to reside and subside aboard the CTF compound. NGOs and media personnel have also requested transportation aboard military aircraft and vehicles.

Expected Action: CTF HQ will produce a policy that will cover their lodging, subsistence, and transportation needs in compliance with appropriation law and commander's intent.

MSEL Title: Land Mine Clearing

Training Objective: Conduct Planning to Coordinate Civil Military Operations within the JOA

Description: Due to tight fiscal and restraints on the CTF headquarters the CTF Commander is seeking additional resources to pay for clearing of land mines on the border with Tiera Del Oro and Sonora

Expected Action: The C8/C4 will research what type of external funding or external agencies could be employed to meet the commanders requirements.

MSEL Title: Weapons Buyback program

Training Objective: Coordinate with Other Non-Military Organizations and UNFHQ to Achieve Transition Strategy

Description: Armed foreign nationals continue to disrupt the local population during the transition phase and delivery of relief supplies. The CTF Commander has decided that disarming the local population of large caliber weapons via a weapons buyback program.

Expected Action: The G8 and G4 will investigate the funding sources, procedures and produce necessary policy required to carry out the CTF commanders direction.

MSEL Title: Preparations for Bird Flu

Training Objective: To make a plan or order that reflects the concept and intent of the geographic combatant commander's campaign plan or that of a supported commander, plans include intelligence collection, logistic plans, and rules of engagement

Description: Early indications of the spread of Bird Flu in the north have increased the CTF commanders concern that if the Bird Flu turns into a pandemic that operations in the south will be disrupted. The CTF commander has tasked the staff to begin planning for protecting CTF forces from the Bird Flu. Resources will need to be identified for protecting CTF Forces (anti-viral, personal protective equipment, etc.)

Expected Action: The G8 and G4 will investigate the resources, funding, procedures, and produce necessary policy required to carry out the CTF commanders direction.

However, financial management knowledge cannot reside exclusively within the traditional financial management community. There is a general ignorance throughout the DoD regarding the laws and regulations affecting fiscal actions which often creates challenges as expectations or promises may not be fiscally feasible. However, the financial managers will generally be unaware of such a conflict until after the decision has been made or action taken which further limits their options to make corrective action. One of many such problems is the legal concept of “unauthorized commitment” where a commander or other responsible individual makes a promise that the government

will purchase some item or service but does not hold the legal authority to make such obligations. This is not to suggest that all officers need to become experts in each of the fiscal disciplines, merely that they should have some awareness of the subtle distinctions between legal and illegal resource decisions in order to recognize when to seek further guidance much as one would from the Staff Judge Advocate concerning the laws of war.

On the other hand, integrating financial management into operations will require financial personnel to more fully versed in operational art. Schools and professional military education are one avenue, but “textbook training” is a poor substitute for actually serving in an operational capacity within a command. This can be done in several ways generally involving expanding the expected career tracks of fiscal personnel to include tours outside the G/J-8. Additionally, this should include the inclusion of those with other occupational backgrounds into the community. In this regard, the Army is well ahead of the other services by mandating tours in financial management by non-financial personnel; ultimately complementing both communities.

These changes would certainly improve the integration of FM into warfighting operations, but still do not address an even larger opportunity to leverage resources into planning; extending DoD financial management into the larger interagency effort.

Financial Management and the Interagency

Much has been made of the lack of, and need for, an effective, efficient, and synergistic interagency process. In one notable article, James Carafano suggests that:

...we find it is not so bad at the policy level and not too bad on the ground where individuals work together. It is at the intermediate level, the operational level, where the U.S. government undertakes major operations and campaigns, and where agencies in Washington have to develop operational plans such as coordinating recovery operations after a major hurricane. This is where interagency cooperation is the weakest.¹³

Not coincidentally, this weakness is also where fiscal resources and constraints predominate. In fact, Carafano cites the Congressional budget / appropriation processes as one of his primary reasons for the failures both directly as well as indirectly due to the compartmentalization it creates. Almost unanimously, proponents of interagency cite the need for “separate and appropriate funding of the new interagency organizations” and “a system to authorize and appropriate the budgets to make these organizations both successful and relatively independent of the current departments and agencies.”¹⁴

However, it would be tremendously optimistic to believe that an interagency version of Goldwater-Nichols will be developed in the near future and that, if it were, that the effects would be uniformly positive and efficient. While that idealistic end-state is still desirable, but for the foreseeable future much of the needed collaboration between agencies and departments must come from within. This is where the future of financial management is most promising.

Indeed, the Global War on Terrorism (GWOT) has marked an unprecedented level of interdependence between the elements of national power, particularly between the economic and military components. This is reflected in President Bush’s first National Security Presidential Directive from 2001 in which he added the Secretary of the Treasury to the National Security Council alongside the Secretaries of State and Defense. It is also very evident in the deliberate selection of former military officers to “bridge the gap between military and financial issues” within the war-time interagency establishment. These selectees include former Generals Jay Garner (ORHA) and Hugh Tant (Treasury) as well as Admiral David Oliver (CPA budget).¹⁵

As electronic commerce and international banking systems have developed, traditional kinetic warfare is even less distinguishable from its economic counterpart. So, while October 7, 2001 marked the beginning of Operation Enduring Freedom the first blow had been struck nearly two weeks earlier on 24 September, 2001. On that date, President Bush issued an executive order freezing terrorist financial assets noting that “the first shot of the war was when we started cutting off their money, because an al-Qaeda organization can’t function without money.”¹⁶ Later, President Bush would further articulate the changing nature of modern conflict:

I’ve asked our military to be ready for a reason. But the American people must understand that this war on terrorism will be fought on a variety of fronts, in different ways. The front lines will look different from the wars of the past... It is a war that will have many fronts. It is a war that will require the United States to use our influence in a variety of areas in order to win it. And one area is financial.

While the traditional military aspects were primary, the Treasury department was deeply involved in the planning and execution of Operation Iraqi Freedom through an interagency group, co-chaired by Al Larsen (Department of State), Dov Zakheim (USD-Comptroller), and John Taylor from the Treasury. This resulted in some specific military objectives including a mandate to “ensure that assets and records of the Ministry of Finance are secured by the military... including cash, bank deposits, securities, gold... with the first forty-eight hours.”¹⁷ Further, there was concern by the Treasury that “the military entering Iraq would not say or do something inadvertently that would cause the value of the dinar to fall sharply”¹⁸ which necessitated Secretary Taylor to submit specific guidance concerning the financial aspects of war that were included General Frank’s orders to his command.

Financial Management as a critical element of Joint Operations

Certainly most military planners would agree that warfare has long been inseparable from economics: not only because wars are very often fought over resources but also because economics directly affect each side's ability support their army and their populace. Most often, this is manifested in direct attacks on the enemy's economy either through damage to infrastructure and means of production or by merely cutting off the opponent's lines of supply and access to resources. Additionally, money can serve as a direct effect weapon in its own right, such as the use of bribes against Iraqi authorities. As one senior defense official commented, "What is the effect you want? How much does a cruise missile cost? Between one and two-and-a-half million dollars. Well, a bribe is a PGM [precision guided munition] -- it achieves the aim, but it's bloodless and there's zero collateral damage,"¹⁹ Still, we have not fully integrated finance into our operational plans.

For example, the United States greatly complicated the transition to Phase IV operations in Iraq by failing to protect such innocuous targets as the financial infrastructure and banking systems. The Treasury Secretary would recall that

...the situation in the finance ministry was grimmer, and also pointed to a serious obstacle into the execution of Stage One of the plan. 'The finance ministry and the central bank are completely looted and damaged by fire,' he reported. It looked like all the payroll records were destroyed, making it impossible to determine who should be paid and how much.²⁰

On the heels of this, there was (and remains) a largely disjointed effort to rebuild the Iraqi economy and infrastructure through contracts and other fiscal instruments. Individually, it is fair to assume that all are well intended but the evidence clearly shows that there remains no well-defined, theater-wide, multi-agency campaign plan. One local official commented that the financial plan was not achieving the desired effect; "[They] drive

around in big Toyota Land Cruisers. I thought the money was for building roads and schools. I haven't seen anything like that yet.”²¹

Yet, military officers bring the “can do, make it happen” attitude that can often be counterproductive to the deliberate, calculated, and sensitive planning required to rebuild a national economy. LtCol DeFrancisci’s article, “Using Money for Counterinsurgency Operations” highlights his assessment of financial instruments in defeating insurgents:

As a result, improvements in the funding system provided expanded ability to use money on the battlefield. In addition to conducting long term reconstruction, money provided an excellent mechanism for the commander to focus on immediate needs of civilians and rapidly respond to grievances. Setting up the force for success to use money effectively required a unit capable of employing money, creating a responsive funding system and understanding and securing funding pipelines.

LtCol DeFrancisci’s assessment is fair, but missing the larger context. To the local commander, the immediate ability to dispense funds is valuable but it must reflect and support the greater national goals in the same way that tactical and operational objectives do in military planning. In this case, there is little explicit consideration of the economic impacts but rather the implicit assumption that any spending on infrastructure and other needs is, by definition, a positive.

This is not always true and might instead create tremendous unintended consequences. For example, it is noted that “thousands in Baghdad received a daily wage to clean streets, alleys, buildings, and public spaces, far exceeding what U.S. forces alone could do.”²² To most military planners, this would be completely positive and desirable. However, there remains little understanding of the macro-economic results this engenders, particularly when compounded by the use of fiat currency. Simply adding paper money into an economy does little in the long term other than to increase inflation as too many dollars (or, in this case, dinars) chase too few products.

In fact, this was ironically a very deliberate strategy by the Germans during World War II. Entitled Operation Bernhard, the Germans attempted to devalue the British currency by forging £32 million, equal to about 15 percent of all genuine notes then in circulation. Fortunately, the military defeat of the Luftwaffe prevented the Germans from distributing the notes over England as intended and they were instead largely limited to transactions in Europe which reduced their impact.²³

Another unintended consequence of trying to purchase peace is that it requires efficient and non-corrupt systems. According to a Transparency International report, Iraq was determined to be the most corrupt country (tied with Guinea and Myanmar) of the 163 countries listed. It is not surprising that corruption in Iraq alone has caused the diversion of between \$9 - \$15 billion.²⁴ In this light, simply pushing money into the economy is equivalent to firing a high explosive weapon without a guidance system; the effects will vary greatly and might well be adverse.

On the other hand, recent conflicts also highlight some tremendous successes and reasons for optimism. One example is the effective planning for and establishment of a new currency following the fall of Saddam Hussein's regime. Replacing the "Saddam dinar" was an obvious requirement but the challenge was doing so without creating a financial crisis (specifically, a complete devaluation of the existing Iraqi currency or a critical shortage of cash). Further, this was complicated by the lack of financial infrastructure; even the widely-available ability to electronically transfer funds was non-existent in Iraq. This challenging and uncharted problem involved all agencies of the Federal government.

After several options were discussed (including the establishment of “military script” as an interim currency) a global effort produced a new Iraqi dinar. However, printing the new dinars and effectively exchanging them into the country was a task that called greatly upon the military capabilities. The difficulty of such an operation is evidenced by Representative Henry Waxman of the House Committee on Oversight and Government Reform who would later ask “Who in their right mind would send 360 tons of cash into a war zone?”²⁵ In only six months, the US-led interagency coalition had flown twenty-seven 747 planeloads of new currency into Iraq and distributed the currency by armed convoy; an accomplishment that took more than three years to accomplish in Germany following World War II.

Another promising expectation is the indication that Congress will reduce some of the legal burdens to increase spending flexibility in combat environments. Not only has Congress continued to allow significant reprogramming authority (the ability to change the “color” of money without seeking Congressional approval), but is also considering an abbreviated code of acquisition regulations for use within combat zones. Even more unprecedented, the Congress has supported the Defense Department’s use of the Commander’s Emergency Response Program; a program initially funded with proceeds recovered from Saddam’s regime. Determined not to be subject to the “Miscellaneous Receipts Statute” and therefore not subject to appropriations law, this program was created by CJTF-7 in FRAGO 89 and continued until the funds were exhausted at the end of FY03. By that time, the successes of the program had received wide acclaim and Congress appropriated \$180 million for the program for FY04 leaving the original provisions largely unchanged.

The critical missing element in further strengthening the interagency military-financial aspects of warfighting remains the military's lack of true operational level financial expertise. The DoD maintains board-certified medical personnel, spends more than two years to produce a basically trained aviator, and sends hundreds of its personnel each year to post-graduate education in engineering or other disciplines. However, there is very little effort made to create a core of credible economic advisors. Even the Defense Financial Management Course, the senior-level school for the FM community, schedules only six hours of instruction on economics.

This is not surprising as managing economies is hardly a traditional core competency of the military. However, as this capability spans so many departments and activities, it also should not be ignored. Rather, just as the intelligence community shares personnel and resources, the Federal Agencies (both executive and legislative) should do the same with their economists. Imagine a military comptroller who had spent time as an Economic Officer with the State Department's Foreign Service or the value of having a post-graduate economist on a Combatant Commander's staff. In this way we would not only synchronize the national effort, but combine both carrot and stick in new and innovative ways. We would equip military operators with more non-kinetic options and reduce the seams between traditional military projections of power and non-military attempts to reward or deter actions.

Conclusion

Finance, in its broadest interpretation, represents or affects all aspects of national power. It is of utmost concern to enemy and ally, combatant and non-combatant, state

and non-state actors. Monetary concerns affect each department internally, as they interact with each other, and as they engage the target audience.

This should not be viewed as revolutionary but rather as the logical progression of modern warfare. In the broad context, early wars were strictly military affairs led by military planners. This evolved into parallel or sequential military-economic efforts either prevent escalation or preserve alliances or to recover a nation post-conflict (Japan and Germany, e.g.). The GWOT has seen these efforts merge by necessity but not yet completely by design. Success in the modern global environment will require the financial managers to be integrated into all phases of planning both within the DoD and the Interagency.

¹ LtCol Leonard J. DeFrancisci, "Using Money for Counterinsurgency Operations" Research paper, Newport, RI: U.S. Naval War College, Joint Military Operations Department, 2006

² CIA Factbook. <https://www.cia.gov/cia/publications/factbook/rankorder/2067rank.html> (accessed 9 April 2007)

³ *DATA MINING: Results and Challenges for Government Program Audits and Investigations. Statement of Gregory D. Kutz, Director Financial Management and Assurance.* GAO GAO-03-591T March 25, 2003

⁴ GAO Anti-Deficiency Act violation report website <http://www.gao.gov/ada/antideficiencyrpts.htm> (accessed 15 Mar 2007)

⁵ 6 CompGen 619 (1927)

⁶ CMC White Letter 04-05, 27 Sep 2005

⁷ Government Accounting Office. *Improper Payments.* GAO-07-92 Nov 2006. 1

⁸ MCAS Beaufort was the first to circumvent this problem due to a great deal of coordination between the DTS program administrators, 2nd MAW fiscal personnel, and the MCAS comptroller department. However, no other command has been granted such capability at the time of writing.

⁹ Col Robert E. Baker, email to author 1 Mar 2007

¹⁰ Operational Law Handbook, NWC 1078, 68

¹¹ LtCol Mark S. Martins, "The Commander's Emergency Response Program." *Joint Forces Quarterly* issue 37 (2004)

¹² Col Catkin Burton, USMC, email with author 29 Feb 2007

¹³ James Carafano, "Herding Cats: Understanding Why Government Agencies Don't Cooperate and How to Fix the Problem," Heritage Lectures, No. 955 (2006)

¹⁴ Marin J Goman and Alexander Krongard. "A Goldwater-Nichols act for the U.S. Government, Institutionalizing the Interagency Process. JFQ issue 39 (2005)

¹⁵ John B. Taylor, *Global Financial Warriors.* New York, NY: W.W. Norton, 2007.

¹⁶ *ibid*, 240

¹⁷ *ibid*, 206

¹⁸ *ibid*, 214

¹⁹ Vago Muradian, *Payoffs Aided U.S. War.* www.defensenews.com (accessed 30 Mar 2007)

²⁰ Taylor, *Global Financial Warriors*, 222

²¹ *ibid*, 57

²² Karin Tackaberry, "Judge Advocates Play a Major Role in Rebuilding Iraq: The Foreign Claims Act and Implementation of the Commander' Emergency Response Program." *The Army Lawyer* (2004)

²³ Lawrence Malkin, *Krueger's Men, Secret Nazi Counterfeit Plot and the Prisoners of Block 19*, New York, NY, Little, Brown, and Company, 2006

²⁴ Col Frank R. Gunter, "Corruption in Iraq: Poor Data, Questionable Policies" Lecture. Naval War College, Newport RI, 7 May 2007.

²⁵ John B. Taylor, "Billions over Baghdad" New York Times 27 Feb 2007, Section A, Page 19.

Selected Bibliography

- Carafano, James. "Herding Cats: Understanding Why Government Agencies Don't Cooperate and How to Fix the Problem," Heritage Lectures, No. 955 (2006)
- DeFrancisci, LtCol Leonard J. "Using Money for Counterinsurgency Operations" Research paper, Newport, RI: U.S. Naval War College, Joint Military Operations Department, 2006.
- Government Accounting Office. *Data Mining; Results and Challenges for Government Program Audits and Investigations. Statement of Gregory D. Kutz, Director Financial Management and Assurance.* GAO-03-591T March 25, 2003.
- Government Accounting Office. *Improper Payments.* GAO-07-92 Nov 2006.
- Goman, Marin J and Alexander Krongard. "A Goldwater-Nichols act for the U.S. Government, Institutionalizing the Interagency Process. *Joint Forces Quarterly* issue 39 (2005)
- Gunter, Col Frank R. "Corruption in Iraq: Poor Data, Questionable Policies" Lecture. Naval War College, Newport RI, 7 May 2007.
- Malkin, Lawrence, *Krueger's Men Secret Nazi Counterfeit Plot and the Prisoners of Block 19*, New York, NY, Little, Brown, and Company, 2006
- Martins, LtCol Mark S. "The Commander's Emergency Response Program." *Joint Forces Quarterly* issue 37 (2004)
- Muradian, Vago. *Payoffs Aided U.S. War Plan*, www.defensenews.com (accessed 30 Mar 2007)
- Tackaberry, Karin. "Judge Advocates Play a Major Role in Rebuilding Iraq: The Foreign Claims Act and Implementation of the Commander' Emergency Response Program." *The Army Lawyer* (2004)
- Taylor, John B. "Billions over Baghdad" *New York Times* 27 Feb 2007, Late edition, Section A, Page 19.
- Taylor, John B. *Global Financial Warriors* New York, NY: W.W. Norton, 2007.