



# REAGAN NATIONAL DEFENSE FORUM

## RESTORING DETERRENCE WITH PEACE THROUGH STRENGTH

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THE RONALD REAGAN PRESIDENTIAL LIBRARY • SIMI VALLEY, CALIFORNIA

### Fireside Chat

The Honorable Russell Vought, Director of the Office of Management and Budget

#### Introductory Remarks:

- Mr. Michael Castine, Trustee, The Ronald Reagan Presidential Foundation & Institute

#### Moderator:

- Ms. Shannon Bream, Fox News

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#### Announcer:

Ladies and gentlemen, please welcome, member of the Board of Trustees of the Ronald Reagan Presidential Foundation and Institute, Mr. Michael Castine.

#### Michael Castine:

Good morning. On the morning of October 20th, 1981, the USS Constellation was off the coast of California. President Reagan arrived via Marine One to address the crew. He declared, "Let friend and foe alike know that America has the muscle to back up its words and ships like this, and men and women like you are that muscle." President Reagan had a vision of a 600-ship Navy, a key part of his plan for achieving deterrence and peace through strength. When he took office, the number of ships was at a post-Vietnam war low of 521. Toward the end of the Reagan administration, the number had risen to 594, close to that 600-ship goal. But ever since, that number has been steadily declining down to 287 ships today. The United States must realize that to restore deterrence, we need to rebuild our Navy. And the urgency grows day by day as China's warships outnumber America's and their shipbuilding capacity is over 200 times our own.

Note: The following is the output of transcribing from an audio recording. Although the transcription is largely accurate; in some cases, it is incomplete or inaccurate due to inaudible passages or transcription errors. It is posted as an aid to understanding the proceedings at the 2025 Reagan National Defense Forum but should not be treated as an authoritative record.

Our next guest understands that. In fact, he's made it part of his mission as a director of the Office of Management and Budget to change the current trajectory. Director Russell Vought has become a partner with the Pentagon and Navy Secretary John Phelan, visiting shipyards and bringing the weight of the White House to the goal of rebuilding the defense industrial base. Director Vought has said "Just giving an additional billion dollars is not going to give you a ship anytime sooner." We also must, in his words, "bulldoze bureaucracy," and with his leadership in the White House, we are sure to do so and to get our ships.

So today we are honored to welcome for the first time to the Defense Forum stage, the director of the Office of Management and Budget. He'll be joined by Shannon Bream of Fox News Sunday. Ladies and gentlemen, please welcome Shannon and Director Vought.

**Shannon Bream:**

Good morning. Welcome, Director.

**Russell Vought:**

Thank you.

**Shannon Bream:**

Okay, we're going to get to the ships. Very important part of this conversation, but let's start with defense spending more broadly. The Reagan National Defense Forum does a series of survey questions and folks were asked, "how large do you think the U.S. military should be?" The number one answer by far was "large enough to win separate wars against China and Russia at the same time." Folks were also asked about the Golden Dome, overwhelming support for that as well. Those both come with very big price tags. So where does the money come from?

**Russell Vought:**

Well, my view is that the capabilities is the right question to ask and making sure that we can actually put the amount of resources that's necessary to actually get things built. The extent to which all of these capabilities are things that the President supports, that is something that is a given. And so I think one of the things that I'm excited about being here, and I'm grateful for this to be my first time, is to send that clear message that from a resource perspective, the resources will be there.

**Shannon Bream:**

Okay, so the President put out his National Security Strategy this week. So I want to read from a little bit of that. They say "a strong capable military cannot exist without a

strong capable defense industrial base. America requires a national mobilization to innovate powerful defenses at low cost to produce the most capable and modern systems and munitions at scale and to reshore our defense industrial supply chain." So what are some of the practical things this administration can do to meet those goals?

**Russell Vought:**

Well, let me give you an example. It may not have gotten as much news, but we're very excited about. Shipbuilding is something that we do—defense ship building, but commercial shipbuilding we have not done much of recently. And we want to bring things that we don't do well here to the United States.

So in the area of icebreakers. So we reached an agreement with Finland with combination of two Finnish companies and United States companies to make investments where for 11 icebreakers that could be built—because this is what they do—they would do 11, and 4 of them would be in Finland, and then the other 7 would be here in the United States in Tampa and in Texas. And the companies themselves are investing in the infrastructure. One of them is Davie is putting a billion dollars into Texas into this new manufacturing facility. So that's the kind of direct foreign investment that we're very excited about. And it will mean that we've got icebreakers of which is horrifyingly lacking in our national fleet right now. So in the Navy context, obviously South Korea has about \$150 billion that they're going to end up spending. We want to make sure that that is flowing to the right places to come along and help us build capacity and work with our industries and get it built here eventually, even while we may be borrowing or asking other countries for their expertise along the way.

**Shannon Bream:**

When we think about munitions weapons, things that over the last few years there's been a lot of concern that our reserves of those have run dangerously low. We'll talk to people in Taiwan that will say they've got billions in orders that have not been filled by the U.S. because we haven't had the capacity to keep up with a number of conflicts that we're helping with around the globe. So what about that level of production here in the U.S. as well? Any incentives or ways to solve that problem?

**Russell Vought:**

Well, I know it's one of the main priorities of the Pentagon they're working on every single day. The President's very concerned about making sure that we can fill our stores with enough munitions. And I think one part is figuring out how to give certainty to the marketplace to ramp up. And the other part is trying to investigate low cost munitions so that what we do need is available for a high-end fight and the extent to which we can use lower cost munitions for things that we certainly need, but it doesn't have to be as

exquisite. So I think those are the ways that we're looking at it right now. The one thing I would add, and I do think this is something I want to get across, is the extent to which it's not just market demand signals. I mean, we've had market demand signals.

I don't know how many times we've said, "we want more Virginia submarines and ships built." So it's not just market demand, it's execution at these companies to be able to make their contracts and stay on time. And we have a massive backlog. We have many programs that are overrun and this team is currently fixing them, but it's going to require doing things differently to be able to crack that cycle. When we left the first time, and I got to do this job the first time, Robert O'Brien and I put out a shipbuilding plan. We wanted to give the market certainty on shipbuilding and we wanted to send a message specifically from OMB and NSC, even though we were heading out the door. This could be done, you can have the resources there to do this. But as we've come back into office, the thing that I've been blown away by is how far behind we are in these programs.

It has gotten worse. So, frigate, for example, was only 15% deviation away from the model that we had picked and we were all very excited about in the first term. Come back into office and it's now an 85% deviation and it's over budget and John had to cancel it. And I mean that's what we're up against. And so there's going to be both market demand signals, ingenuity, and paradigm shifting at the level of Secretary Hegseth and Deputy Secretary. And then it's also thinking about these things in a way we've never done before.

**Shannon Bream:**

When you talk about walking into the second term, a little bit shocked by what you found and now this is it for this Trump administration, we think there are only going to be two. We'll have to see what the President says in his latest tweet about that. But assuming this is it, where do you go knowing you've got less, the clock is ticking on less than four years to actually get this done?

**Russell Vought:**

Well, that's our scarcest resource. Political capital is not our scarcest resource. You can always build it. Time is our scarcest resource. And so that's why we are going at it with everything we've got and trying to bulldoze bureaucracy where it exists. It's why I do as much as I can to actually see things as they are on the ground because I come away with the complexity of the situation here. We haven't gotten to this point because there were clear easy solutions, but we believe that we can fix this and we have very, very innovative thinkers and we've got a great team in place and I think we'll be able to make progress.

**Shannon Bream:**

Before we leave, the National Security Strategy. I want to read an assessment from the New York Times and get your response. They said, "Gone is the long familiar picture of the United States as a global force for freedom replaced by a country that is focused on reducing migration while avoiding passing judgment on authoritarians instead seeing them as sources of cash." Your response to the critique?

**Russell Vought:**

Well, I think it's an unfair and inaccurate critique. I mean, I think the notion that the President and this administration is not actively involved around the world to go after peace is wrong and to use it with the strength that this country has built up.

I think it's a shift to think specifically through the filter of what is in the American national interest. And that may cause a change in the language that we use and the extent to which we view certain things in our interests. I mean, there's a priority for the Western hemisphere. It's not something that would've been foreign quite frankly to the first generation of our presidents, very consistent with the Monroe Doctrine. We want a big maritime supremacy effort to be able to ensure that we keep sea lanes open and we can be wherever we need to be. So again, I think this president is doing diplomacy personally in a way we haven't seen in generations. And as a result, you're seeing amazing success and we're going to have to continue to provide the strength, the strength that is the basis for the American projection of power.

**Shannon Bream:**

So when it comes to the goals meeting these expenses that the defense production will necessarily entail, you've got allies on the Hill in the sense that they share your love of and need for a strong defense, but they have questions about how it gets funded. So I want to read something from Senator Mitch McConnell, A Wall Street Journal opinion piece that he wrote. You've probably read it. He says, "In June OMB submitted a request for 2026 that would hold annual defense spending stagnant against inflation in the One Big Beautiful Bill Act. Administration officials then created budgetary chaos," he says, "by pressing Congress to squeeze multi-year efforts like ship building into a one-time spending measure using a process known as budget reconciliation. This complicated maneuver left critical programs on the cutting room floor. Pentagon leaders have since acknowledged that total 2025 shortfalls, after reconciliation exceed 25 billion." He goes on to say, "a full year bill capped by the OMB at their requested level or another full year continuing resolution would be devastating to the U.S. military and would imperil the President's military legacy."

**Russell Vought:**

Thank you for bringing this up because I think this is one of the paradigm shifts that we've seen in the last year that I actually think A, worked and B, is a lesson for how we can ensure that defense increases are not hamstrung by the rest of the national agenda, by some that are on the other side. So when you hear all of those arguments about how defense was capped at a certain level, it's not reflecting the mandatory amount of spending that we did through reconciliation. So we hit a trillion dollar level with a combination of the base through discretionary and \$150 billion over two years, most of it in this first fiscal year of 2026 that allowed us to get all of these priorities—Golden Dome, ship building, nuclear modernization—in a mandatory account that now has certainty. So that's not subject to the highs and lows of the appropriations process.

And why this is so important is because we've had a bipartisan appropriations process that requires 60 votes in the United States Senate. And that means that defense increases has led to a ratcheting up of non-defense spending for decades. And we're just never going to be able to get our fiscal house in order with that ratchet. And that's one of the reasons we're \$38 trillion in debt. We're not in this kind of debt because we can't afford to pay for our defense needs. We're in this rut because we have A, not had victories until this administration on fiscal responsibility, and we've been in a situation where our defense increases have been held hostage by the non-defense needs.

So I believe—and this is something that we were very, very intentional about—we wanted a strategy that was a Republican only strategy in terms of votes to secure our defense needs and to do so in a way that provided I think also more certainty to the market because that money is now there. The second installment doesn't have to be fought for as hard. I think we'll continue to do that.

Have we made a decision yet on another reconciliation bill? No, we have not. And we will make sure that we continue to grow. There will not be a hole there, but I think it is a paradigm shift that we're excited about. I think that people are coming to realize it for what it was, which is a major, major success that can unlock us to be able to do the kinds of things that the President is asking the Pentagon to do.

**Shannon Bream:**

So how do you answer the perception though that some of this is being done piecemeal? When you do a continuing resolution, you're not going to get those increases. You're going to hold things stagnant. And yes, the big beautiful bill gives you another tranche of funding. But that when you're doing long-term planning for things like shipbuilding, which we'll get into, that people need more certainty than these continuing

resolutions. And the fact that Washington doesn't do things by normal procedure anymore when it comes to appropriations.

**Russell Vought:**

So CRs [Continuing Resolutions] are not a way to run the government. We're not saying that they're optimal in the same way. It's not optimal for us to have to be able to get a 60 vote threshold to be able to pass legislation. You've heard the President talk about this often. So when this CR, we asked the Pentagon, we said, "look, we want as many anomalies as you need," kind of exceptions to the CR. And we put as many anomalies as we possibly could and we've, I think, been able to make this less damaging a CR than a prior CR. But it's not the way to do it.

But our hope is that as we maneuver, we make these strategic moves, reconciliation and to kind of break the connection with the vote requirements in the United States Senate, it will over time heal the appropriations process and we will be able to pass appropriations bills. I think we're in the middle of it right now. I mean, the Senate is right now working on a number of these appropriations bills before January 30th, four or five of them, one of them being defense. And we're hoping to get those done. So I think there's light at the end of the tunnel. And because you don't always have optimal solutions along the way, doesn't mean we would be in this rut that we've been in for the last 30, 40 years.

**Shannon Bream:**

So there's a lot of skepticism about getting this done by January 30th. I've talked to the speaker many times—that's his birthday. He does not want another shutdown for his birthday gift. But there are a lot of people who wonder if that's where we're careening.

**Russell Vought:**

Well, I'm optimistic. I don't think that we are. No one in the administration wants a shutdown. We didn't want the last one. We thought it was very irresponsible, the Democrats, but we're making everything we possibly can do to prevent that, trying to get these appropriations bills done, giving flexibility to positions that we've had to try to get something done by that deadline. And I don't think it was a particularly successful political set of weeks and ultimately a month for the Democrats. And I'm hoping they come back and work with us.

**Shannon Bream:**

Okay, so let's drill down on this shipbuilding conversation. You've been a leader in having this conversation in the past about the importance of this, the fact that these investments have to happen. There has to be some long-term stability on that. There

was a shipbuilding enterprise that was housed within NSC. It's now at OMB. You guys have real estate. So explain to us how that works.

**Russell Vought:**

Well, all of government execution is one of the things that you don't often think about at OMB. You think of budgets and regulations, but also kind of the management all of government. So it's really not particularly newsworthy that it's OMB other than we are implementers. And so we want to make sure that there's an all-of-government view as to where the shipbuilding capacity is done.

So obviously most of it's in the Navy, but there are contracts to be had in Department of Transportation, the Coast Guard. We literally just recapitalize the entire Coast Guard fleet. No one knows that because everyone's focused on the bigger aspects of the OB3 [One Big Beautiful Bill Act]. But in terms of the Coast Guard, I mean it was generational. So where are those contracts going? Does it make sense to be able to then spread it out around the nation so we become a maritime country again? And so that's what our team at OMB is doing. And then also defined things that are hurting within the bureaucracy. Many of my conversations this week has been to think through, we're asking you to perform on these contracts, what are you up against? And where do our attentions need to be? Be able to pile drive something through and give the agency heads more force.

**Shannon Bream:**

So when the President started to put more of an emphasis on the shipbuilding issue earlier this year, this stat surprised me. Folks in this room probably know what I didn't know, but according to the White House, just 0.2% of all new shipbuilding happens with a U.S. connection. China accounts for 74%.

So this gets me to another question from the Reagan Defense Forum survey. They say "Navy analysts calculate China can provide more than 200 ships for every one ship the U.S. can produce. Knowing this, do you think the U.S. needs more manufacturing capacity?" Not surprising, overwhelmingly 62% said we need more capacity. How do we get it?

**Russell Vought:**

Well, we need new yards. We need a lot of capital investment. We need companies coming online that are a part of this building of a national fleet. We hope to do that with a maritime action plan that will come out later. But it's trying to send government resources where we need to build things and encouraging this endeavor as much as we possibly can. Where we need to provide investments, we provide infrastructure

investments, a host of areas. It's not clear to me why we can't do it in the area of ship building.

So we are dedicated to being able to turn this corner. But again, it also requires new thinking that's not just resources. Again, currently today we could add a lot more money to, or put whatever number you want in the budget for, purposes of a particular ship. But that doesn't mean the Pentagon is going to get delivery of a ship anytime soon. And so that's really, I think the tension that we're going to have to face and wrestle with in very short order is how do you send the major market demand signals that are necessary? How do you provide the resources that the President wants to do? And at the same time, how do you ensure that the trade-offs are being made and the ingenuity to think through—this system is broken in many ways and we've got to fix that.

**Shannon Bream:**

A couple of skeptics who are not sure that the administration has figured that out yet. A couple members of the House—including the ranking member of the Select Committee on China—wrote you a letter with concerns about this whole issue. They say that the entity moving from NSC to OMB resulted in it being dismantled or relegated. So I want to get your response to this.

They say, “Burying this important office several layers down within an executive branch agency risks undermining the expertise and authority that are essential for coordinating whole of government efforts to revitalize U.S. shipbuilding. We are concerned that OMB's structure and expertise do not lend themselves to succeeding in closing the People's Republic of China's already considerable building shipbuilding advantage.” They say, “How do you plan to reconcile the imperative to revitalize us shipbuilding with”, they say, “your historical opposition to industrial policy?”

**Russell Vought:**

I don't think they understand the way the White House works in the sense that there's a little too much news about a move to OMB. We are working seamlessly and integrated with NSC and the Pentagon on this. At best a White House works when all of these offices are working together. We are in fact at the White House. And so this all of government execution is what has been lacking to use the statutory tools that OMB has. And we have statutory tools that a president who wants to tame a bureaucracy can use, has used. And if you don't use OMB, you don't have those statutory tools.

And that's something that we learned in the first term. It's one of the reasons why there was such a great partnership with Robert O'Brien at the time and now with the current NSC, with Marco Rubio and the team at Department of War. So there is a seamless integration, but what is different now is we've been given a little bit of responsibility for

success and we're going to do everything we can to make sure the President, his team is able to deliver on time.

**Shannon Bream:**

So much of this conversation happens in the context of our push and pull with China. And not surprisingly, the forum results, again, the survey results this year show that is viewed as our biggest foreign policy threat. But when drilled down on asked, "which most concerns you about China," the number one answer was Chinese economic practices, including technology theft and its trade relationships with other countries. What's your biggest economic concern when it comes to China?

**Russell Vought:**

Well, again, we want to be able to ensure that we can get out of the hole that we have been in, vis-à-vis, their performance with shipbuilding, their ability to produce. We want to make sure that our system is not at a loss as a result. So I'll let the national security team comment with regard to China, but in terms of what capabilities do they do versus what do we do and how those capabilities are resourced, that's really where my head is at.

Long-term, I want to make sure that we have an affordable, fiscally responsible way to both deal with our debt and to have a strong economy. By the way, the strong economy is the foundation for dealing with your debt. It's the foundation for your defense needs. But we can do all of this, but we are not going to be able to do it if we just do it the way it has been done before.

And some of the criticism from Congress, and we have great relationships with Congress, but some of the criticism I think comes from just like, well, "we've done it this way, we've done it this way. It looks different. That's not going to work."

And that's really one of the best things about working for President Trump is that he really rejects the notion of like, "this is just the way you do it and this is how you respond." He actually wants to be successful. He wants to solve a problem and then challenge his team to do that. And that's what we're trying to do.

**Shannon Bream:**

So you mentioned a couple of things there, the economy. So the debt service that we have now out rates, by most estimations, our spending on defense. Entitlements are also ahead of that as well. Those are really tough things to tackle. But when it comes to debt, when it comes to entitlements, what can we do? What is the administration willing to do on that front?

**Russell Vought:**

Well, I would just bring us back to the success earlier this year, and I remember coming on your show to talk about it. The one big beautiful bill did many things including the tax cuts, but it had historic levels of mandatory savings. It had one and a half trillion dollars of mandatory reforms to the various programs that you were just referring to.

And it netted out \$500 billion in deficit reduction, which was up there with historic levels. It had welfare reform in it. So again, my view has been, it's not that someone couldn't come up with a plan on how to balance the budget and do all of these things. I mean, you could do that in a long weekend, right? The issue is that we didn't have success. So every fiscal hawk that's been around for 20, 30 years has had literally no success.

This administration has come in and said, we've had the largest reconciliation package, the largest numbers of savings, the first rescissions bill since the 1990s. So for the first time, you've had fiscal successes that you can build a longer term strategy about. They're not just theses, there's enough data there to make them foundational strategies to turn the corner and to make it so it's not just a bunch of spreadsheet warriors putting ideas on a piece of paper, but that you actually have Congress passing and turning the corner and success.

And now you go to the American people and just say, "look, it's going to take a while. \$38 trillion is not going to be done overnight, but we're going to get a ton from the foundational economic successes. We now have \$4 trillion in tariffs over 10 years that are a part of our fiscal picture." So these are all part of things that we would not have been able to argue as much in the first term because we were proposing things, but we didn't have that success on the Hill.

**Shannon Bream:**

What's the plan? If the Supreme Court takes away a big chunk of those tariffs?

**Russell Vought:**

Well, it would be a harmful decision, but the team is certainly looking through options. I'm not going to preview them here, but between Jamieson [Greer], and Howard [Lutnick], and the President's own ingenuity, we're always going to be looking for things that the law allows us to do.

**Shannon Bream:**

You talked about how it takes time. I mean, you can't turn the U.S. economy on a dime, but there's new polling out this week from Politico. They say 46% of the people they

surveyed believe the current cost of living crisis is, "the worst they can remember." So yes, it takes time. When will they start to see relief?

**Russell Vought:**

Well, I think they're already seeing relief, and I think that has been evident, the extent to which we had a 9% inflation for the first time in 40 years, the President has gotten inflation under control. Gas prices are down and we are hard at work trying to make housing cheaper.

I think you'll see ideas from our administration later on a host of fronts. But again, it is a little bit like gaslighting for the other side to have caused an affordability problem and then attack the people that are dealing with it day by day.

Again, another thing that when the tax cuts that were put in the one beautiful bill come online, I think you'll see a great amount of relief at that moment. So we're very optimistic, but again, Shannon, we're working at it very, very diligently because we know that we can always do better and we want to take whatever signals, whether they're market signals or just constituent-level signals, we want to take them seriously.

**Shannon Bream:**

So one of the things obviously folks are worried about with their own budgets is the potential skyrocketing of some of their Obamacare premiums with the subsidies expiring December 31st. Insurance companies tell us they need to know something by January 15th. There's a little bit of pad in there, but there's a lot of skepticism about whether the House and Senate can get anything done substantive in that timeframe.

So any indication from the President what he's going to be willing to sign on to an extension a year or two or three. Any other policy ideas that the White House is ready to coalesce around?

**Russell Vought:**

Well, I think the President has said he is always willing to tackle the types of issues in healthcare that have led to exploding cost from Obamacare. And so we are always looking for an opportunity to speak into that. We want to make sure that money is going directly to consumers to have consumer driven healthcare that lowers the cost as opposed to funding insurance companies that have been a part of just these exploding costs.

So that debate is in real time and we'll be participating and trying to guide and put forward our ideas, but it's also going to require, on a bipartisan basis, people being

willing to not expect just a stark extension of a program that we don't believe has worked for the American people.

**Shannon Bream:**

When do you think we'll hear something from the President? Because we have a number of lawmakers that are floating plans. Is there anything of interest?

**Russell Vought:**

Well, I think our team is working with those lawmakers and sometimes we lead very loudly and sometimes our leadership is behind the scenes to craft something where the votes might be there for.

**Shannon Bream:**

Okay. So this is your second round of doing this job. It comes with a lot of challenges. I want to read some of the things that have been said about you, give you a chance to respond. "Christian nationalist," "wrecking ball," "holy warrior," "dangerous," "grim reaper," and "powerful." How would you describe yourself? Would you pick any of those?

**Russell Vought:**

The beauty of doing the job for the second time is you've gotten a chance to think about it for four years. And that is something that the President, I think you are seeing at a national, global level of a President that got a chance to do this job again.

And I've been thinking about it for four years, and there were lessons learned, but there was also things theses that became conclusions. And so we have tried to think ahead to put a team in place to be able to deliver for the President. We're excited about what we're able to accomplish right now.

I largely don't pay attention to anything that's being said because I think it's distracting and honestly, it doesn't bother me. We want to continue to perform. You don't get this chance often to be able to be given a moment to be accountable and responsible to history, to serve for a president like this that has given his team—he's not shy away from controversy or conflict, but he does demand good ideas. He does demand success, and he will always have your back. And so when you're given that opportunity, you just have all of the momentum in the world to be able to deliver. And so I'm excited about it and the rest of it's just stuff to go off my back.

**Shannon Bream:**

Well, we know you have a lot of challenges ahead, so we thank you for making time for us. OMB Director Russ Vought.

**Russell Vought:**

Thank you, Shannon. Thank you.

**Announcer:**

This concludes our fireside chat. Please remain in your seats for panel two.

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