

# **External Threats to the Private Sector**

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*“Facts are stubborn things; and whatever may be our wishes, our inclinations, or the dictates of our passion, they cannot alter the state of facts and evidence.”* John Adams

- The federal government now spends \$7 million a minute.
- Our national debt is more than \$13 trillion.
- In the next two years: our debt will exceed the size of our economy.
- Within three years: we will spend more than \$1 billion a day just to pay the *interest* on our debt.
- Federal debt will double in 10 years.



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*“You’ve got to be very careful if you don’t know where you’re going, because you might not get there.”* Yogi Berra

- Non-security discretionary spending has increased by nearly 90% in three years.
- When the government spends a dollar the economic benefit is between zero and 60 cents.
- First time in modern era Congress has not passed a budget or any appropriation bills.
- U.S. spending as a share of GDP has surged from 20% to 25% in just three years (and is est. to be 40% or more by 2040).
- OECD study: for every percentage point increase in spending per capita GDP fell by 0.3%; and investment by 0.4%.



*We the People of the United States,  
in Order to form a more perfect Union, establish Justice,  
insure domestic Tranquility, provide for the common  
defense, promote the general Welfare, and secure the  
Blessings of Liberty to ourselves and our Posterity....*

*Preamble, U.S. Constitution, Sept. 17, 1787*

- Country of Laws, Not Men
- Due Process / “Taking”
- Freedom of Speech / Assembly



*“It might be demonstrated that the most productive system of finance will always be the least burdensome.”* Alexander Hamilton

It is axiomatic .. **MARKETS DISLIKE UNCERTAINTY**

- Fed policymakers see downside risk to their forecasts and an “unusually uncertain” economic outlook.  
Ben Bernanke, 7/21-22, 2010

- There will be “years of uncertainty as to what the massive new rules will mean.”  
ABA President  
Edward L. Yingling, ENR  
7/26/2010



*“The further you get away from Washington, DC, the more you think that things are under control.”* Art Buchwald

## **UNCERTAINTY DRIVEN BY:**

- New health care mandates/costs
- New financial market regulations
- New Federal procurement rules
- Potential new / changed taxing levels
- New energy policy / procedures
- New labor relation rules
- New campaign finance / FEC rules
- New internet access rules





# All in the face of Global Geopolitical / Market Uncertainty



# ECONOMIC PICTURE:

- Market volume down over 30%  
\$1.2 Trillion (6/2006) → \$810 Billion (8/2010)
- Unemployment: approximately 20%
- Market Shift:  
80% -- 20% to nearly 60% -- 40%  
(private to public sector spending)





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*“Government is like fire; both a dangerous servant and a fearsome master.”* George Washington

## **Government Threats:**

With market shift comes different measures of performance / success:

- Use of PLA's/Unions
- Executive Compensation Levels
- Diversity / Hiring / Subcontractor Rules
- Small Business / Minority / Women-Owned Contracting Levels
- Inherently Governmental vs. Commercially Available



*“I base my calculations on the expectation that luck will be against me.”* Napoleon Bonaparte

## **Business Timeline:**

### **Market Opportunity**

### **Market Rules**

### **Market Return**

- Funding levels (freeze/stimulus/appropriation delays, etc.)
- Entering market (inherently governmental)
- Competition (employee unions)
- Small Business Demonstration Program Repealed (Rule of Two)
- Green Vendor Preferences
- DISCLOSE Act



*“The natural progress of things is for government to gain ground and for liberty to yield.”*

Thomas Jefferson

## **Business Timeline:**

Market Opportunity

Market Rules

Market Return

- Card Check potential
- Fair Pay legislation
- Carbon Endangerment finding
- Executive compensation
- Ledbetter Act
- Health Care Mandates
- “High Road Contracting”
- ARRA reporting requirements



“There is only one decisive victory: the last.”

Karl von Clausewitz

## Business Timeline:

Market Opportunity

Market Rules

Market Return

- Profit margins / levels
- 3% Withholding
- VAT Tax
- Expiration of Bush tax cuts
- Financial market regulations
- Sarbanes/Oxley
- Liability / Risk





# IN THE FACE OF UNCERTAINTY .... AND EXTERNAL THREATS

*“The best thing you can do is the right thing; the next best thing is the wrong thing; and the worst thing you can do is nothing.”*      Teddy Roosevelt

