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Companies Vie for Pieces of Shrinking Government Contract Pie

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By: Dan Weil

As Washington tightens its purse strings with an eye on trimming the federal deficit, companies are losing revenue from government contracts. The result may bode poorly for both the companies and the U.S. economy.

During the fiscal year that ended in September, those contracts totaled \$460 billion, down \$58 billion, or 11 percent, from a year earlier. That was the biggest drop—in percentage and dollar terms—in at least 10 years, according to **The New York Times**.

Contract totals began slumping when President Barack Obama took office in 2009 after soaring during the Bush administration in the wake of the Sept. 11, 2001, terrorist attacks.

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Military spending cuts created by U.S. pullbacks in Iraq and Afghanistan had a major impact last year, as did the overall automatic spending cuts (sequester) that began last March.

Many small businesses are highly dependent on government contracts, and some big businesses are, too.

Government spending will keep falling in coming years and may punish the economy, Daniel Gordon, administrator of the Office of Federal Procurement Policy during Obama's first term, told The Times.

"This is the new reality," he said. "In 2014, you could see another drop of 10 percent." Gordon is now associate dean for government procurement law studies at George Washington University Law School.

Not everyone is as pessimistic as Gordon. The World Bank notes that the recent \$1.1 trillion budget compromise in Washington reversed some spending cuts. That will help lead to 2.8 percent U.S. economic growth this year, up from 1.8 percent in 2013, World Bank economists predict, as reported by **Bloomberg**.

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