

Federal CIO: Sequestration Means We're All Doomed

Jeff Clark February 14, 2013

Yes, the headline is facetious, and no, you didn't accidentally skip to The Onion. But the scaremongering of federal officials about upcoming budget "cuts" owing to sequestration (George Orwell, call your office) might lead you to believe that not only will you end up in poverty, your business is going to be wiped out by a "cyber 9/11." What does the federal government's big IT cheese have to say about it all?

What's the Word, VanRoekel?

In an interview with InformationWeek, federal CIO Steven VanRoekel stated, "By cutting technology, it's going to put us into situations where we either stagnate progress or have to rethink the delivery of things." But are "we" (whoever that is) really cutting technology spending? First, note that the number bandied about for federal budget cuts is \$1.2 trillion. Sounds like a lot—until the caveat is added that it's over 10 years. That's \$120 billion a year (compare that to recent annual deficits exceeding \$1 trillion—it's not even enough to bring spending down to the level of federal income), representing only about 3% of total on-the-books federal spending. Furthermore, these reductions do not mean that a \$3.5 trillion federal budget will be \$2.3 trillion in 10 years—they represent cuts relative to projected spending over that time. In other words, you can rest assured that government spending will still increase.

Federal Handwringing Over Defense

One of the major concerns is defense spending (less funding for the wars), which stands to take a real cut initially but then resume growth. According to the Cato Institute, "In nominal terms, sequestration is not even a cut; it would see nonwar military spending grow by about 10 percent from today, as opposed to the 18 percent the administration wants." Will this meager budget blip really gut the U.S. military, as some would suggest? Perhaps we need a reality check regarding military spending by the U.S. A chart from the Peter G. Peterson Foundation compares defense spending by the 14 leading nations in the world in this category; the U.S. defense budget exceeds those of the next 13 nations combined.

VanRoekel said, "Cybersecurity is such an evolving threat that we have to be ever vigilant, we have to be proactive, we have to be investing dollars and engaging smart contractors to think about how to lean

forward...Sequestration could create scenarios where we [are not] promoting forward progress.” Look at the above-mentioned chart again. Really.

Perhaps VanRoekel means that the U.S. must “lean forward” by attacking other nations with malware—something that could constitute an act of war, under the right circumstances, according to Defense Secretary Leon Panetta. Perhaps the budget sequestration for defense could be funded by closing a few of the virtually innumerable U.S. military bases around the world? Threats to IT security are ever present and stem from both private individuals/organizations and governments, but in the case of threats from nation-states, perhaps minding our own business (a very inexpensive policy) would go a long way toward reducing those threats.

But VanRoekel is not alone in attempting to derail the miniscule budget changes posed by sequestration (I hate to use this word, but they can’t honestly be called “cuts”). Deputy Defense Secretary Ash Carter said, “[N]ational security rests on a strong economy, and also on non-defense functions—like education, especially science, technology, engineering and math (STEM)—provided in other parts of the federal budget...[T]he drastic nature of sequestration would obviously be harmful to these functions too.” In other words, every part of the federal budget is a national-security matter, and since national security justifies anything and everything, let the spending spree continue.

What’s IT Got to Do With It?

The Obama administration has provided a list of consequences, should sequestration be implemented in full force. (Laughably, this list includes a euphemistic reference to fewer IRS audits.) VanRoekel has also cited examples, such as “scaling back of a joint Departments of Defense and Veterans Affairs electronic health records program to sequestration concerns,” according to InformationWeek. Given that electronic medical records have dubious benefits, this is hardly a concern.

A greater concern could be for contractors providing IT services to the U.S. government, as well as federal IT employees. In such cases, government representatives and defenders will often state that some number of jobs are at risk if spending is cut. This is true, but remember that money spent by government is money earned by and taken from the private sector. That money becomes unavailable for job creation in the private sector, but if it is returned by way of spending cuts, lost government jobs can become new private-sector jobs. Government at all levels in the U.S. consumes roughly 40% of GDP; imagine the potential for an economic boom were half of that returned to companies and consumers. It would be enough to create 30 million new jobs at a \$100,000 annual salary. (Okay, not all the money would go to jobs, but you get the idea.)

Although job losses are never pleasant, federal employees must be aware that their employer is running a dangerously unsustainable operation. Deficits do not just harm the federal government (as they would in a private context); they harm the entire economy, thanks to money printing and thus currency devaluation by the Federal Reserve. But losses in IT capabilities by the federal government can be recovered by the private sector. What's better: the federal government trying to develop some new malware to cause a nuclear catastrophe in Iran, or companies being able to improve their own security thanks to lower taxes and less inflation?

Pay Now or Pay More Later

Government budget cuts (ideally, real ones—but cuts in rate of increase are a start) are necessary to enabling a stagnant economy to recover. The notion that government spending creates prosperity is absurd on its face: if it really worked, then why not just cut everyone a \$1 billion (Federal Reserve) check and set the economy roaring?

The U.S. has paralleled Europe in its economic stagnation. The eurozone is now falling deeper into recession thanks to a flagging Germany, according to The Guardian. The U.S. may well follow suit, thanks in part to recent tax increases and the upcoming tax and regulatory burden of Obamacare. Sequestration is merely a down payment on the kinds of real, drastic cuts to government that must be made if the economy is to truly recover. IT companies—and everyone else (except those that live off the government)—stand to benefit from reduced government spending.

Yes, government contractors would be pinched by such changes, this situation does not represent a complete evaporation of jobs: it would be a transition of jobs from the public to private sector. (Here, government contractors are lumped into the public sector.) Furthermore, a private IT company (think Dell, Google, HP, Microsoft and so on) will produce something of real value to society. How many defense IT contractors have produced software or other technology that helps your business serve customers? So, contrary to federal CIO VanRoekel and others, sequestration is no threat to IT security or any other kind of security—it's a tiny but necessary step toward rebuilding a crumbling economy. And private IT companies stand only to gain—maybe not much, but it's a start