



# Responsive Public Management

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## The US government shutdown

On 16 October 2013, the Democrat-controlled House and the Republican-dominated Senate finally reached a temporary agreement on the 2014 budget and the debt ceiling, thus narrowly avoiding default. The budget and the debt ceiling are two separate issues, but the fact that they arrived at the same moment (a fairly rare coincidence) explains their significant effect on public opinion.

Congress's failure to agree on a budget resulted in a 16-day shutdown of all federal services, nearly as long as the 1995 shutdown. The failure to approve an increase in the debt ceiling beyond its current level of \$16.7bn led to fears that the US would go into default, with a catastrophic impact on the world economy.

### Healthcare as a hot political issue

Although the budget and debt ceiling issues are separate, they have common roots. First, the deep disagreement between Democrats and Republicans on the entry into force of the Affordable Care Act (known as "Obamacare" to its detractors), which provides healthcare coverage to millions of Americans who previously had none. Second, the staunchly neo-liberal Tea Party's influence on the Republican Party.

The 16 October agreement only temporarily put an end to the crisis. The authorization to raise the debt ceiling expires on 7 February 2014 (the US Treasury can borrow money until then). Federal services are funded up until 15 January 2014. In mid-December, a bicameral commission must introduce a budget for all of 2014. In other words, the deadline has only been postponed; the spectre of a new shutdown in 2014 could arise, along with a new battle over the debt ceiling.

### An unprecedented crisis with immediate fallout

The effects of the shutdown are many and – in the words of government officials on both sides of the aisle – extremely serious. First of all, in terms of the budget. According to experts, fourth-quarter economic growth fell by 0.3 percentage points, or 0.6 points according to Standard & Poor's, the equivalent of \$24 billion. Job losses were predicted to be around 900,000<sup>1</sup>. Above all, the crisis came at a very difficult time, given the \$85bn in automatic spending cuts (or sequestration) that took effect during the year. Added to this, the shutdown had an enormous impact on a number of government services and on the daily life of millions of Americans. It was not just national parks and museums that were forced to close. The almost complete shuttering of the National Institutes of Health, for example, prevented hospitalisation of some two hundred patients, thirty of whom were suffering from cancer<sup>2</sup>. A lack of staff prevented the US Department of Agriculture from publishing reports – vital for the international markets – on certain products (cotton, etc). Government laboratories working on highly

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<http://www.nytimes.com/2013/10/17/business/economy/high-cost-to-the-economy-from-the-fiscal-impasse.html?hp>

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[http://www.nextgov.com/health/2013/10/saddest-paragraph-youll-read-about-government-shutdown-today/71158/?oref=nextgov\\_today\\_nl](http://www.nextgov.com/health/2013/10/saddest-paragraph-youll-read-about-government-shutdown-today/71158/?oref=nextgov_today_nl)

dangerous diseases and biothreats were forced to close their doors<sup>3</sup>. Efforts to recruit staff with IT qualifications, which were already hampered by the Sequester, ground to a halt, despite a crying need<sup>4</sup>. According to the Department of Health and Human Services, the Head Start programme will lose some 57,000 students<sup>5</sup>. Clearance of goods, exports and the issuance of oil and gas drilling permits have all been slowed. If the shutdown had gone on a few more days, the Department of Veterans Affairs would not have been able to pay more than 3.6 million pensions. Social Security checks and food stamps, which help some 47 million Americans<sup>6</sup> – 15% of the country's population – put food on the table, would have been delayed or even suspended. These are all dangers that may arise again if there is another shutdown in 2014.

Those most severely affected are, of course, the 800,000 federal employees (out of a total of two million), who were furloughed even as some, such as police or customs officials, were obliged to carry on working ("excepted agents"). Initially, it was not even known if wages would be paid retroactively, as was the case in earlier shutdowns. After a great deal of back-and-forth between House and Senate, an agreement on this point was finally reached. In the meantime, however, a great many federal employees were forced to file for unemployment in their home state (which they then repaid). According to a spokeswoman for Maryland's Department of Labor, Licensing and Regulation, between 7am and 1pm on the first day of the shutdown, the Department received some 4,000 applications for unemployment insurance, more than it usually gets in an entire year<sup>7</sup>. In Washington, about 5,000 federal employees (out of a total of more than 300,000) filed unemployment claims, which are capped at \$359 a week<sup>8</sup>.

### The US economy and world confidence – both victims

The states, like federal employees and a great many government contractors<sup>9</sup>, also suffer the impact of the shutdown, and not only because they were obliged to pay unemployment benefits to out-of-work federal agents. A great many state programs, particularly social ones, are dependent on federal subsidies. These include the Low Income Home Energy Assistance Program, which helps low income people pay their heating and cooling bills, Temporary Assistance for Needy Families (TANF), which offers emergency aid, and the Women, Infants and Children Program (WIC), which provides food and health care for women and children<sup>10</sup>.

Finally, the 16-day shutdown had a very negative impact on America's image abroad and on investor confidence. In the words of the chief executive of the asset management firm BlackRock, "the damage has been done by the fact that we have had a debate questioning whether the U.S. will pay back its debt." This means higher borrowing costs and, above all, the worry that the entire process will start over again in early 2014<sup>11</sup>.

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<sup>3</sup> [http://www.nextgov.com/health/2013/10/fed-shutdown-hampers-inspections-biothreat-labs/71236/?oref=nextgov\\_today\\_nl](http://www.nextgov.com/health/2013/10/fed-shutdown-hampers-inspections-biothreat-labs/71236/?oref=nextgov_today_nl)  
<sup>4</sup> [http://www.nextgov.com/cio-briefing/2013/10/major-it-problems-loom-if-shutdown-drags/71230/?oref=nextgov\\_cio\\_briefing](http://www.nextgov.com/cio-briefing/2013/10/major-it-problems-loom-if-shutdown-drags/71230/?oref=nextgov_cio_briefing)  
<sup>5</sup> [http://www.publicintegrity.org/2013/10/03/13498/other-crippling-government-problem?utm\\_source=email&utm\\_campaign=watchdog&utm\\_medium=publici-email](http://www.publicintegrity.org/2013/10/03/13498/other-crippling-government-problem?utm_source=email&utm_campaign=watchdog&utm_medium=publici-email)

<sup>6</sup> <http://www.washingtonpost.com/blogs/wonkblog/wp/2013/09/23/why-are-47-million-americans-on-food-stamps-its-the-recession-mostly/>

<sup>7</sup> <http://www.governing.com/blogs/fedwatch/gov-state-unemployment-offices-see-surge-applications-federal-workers.html>

<sup>8</sup> [http://www.govexec.com/pay-benefits/2013/10/thousands-federal-employees-file-unemployment-amid-shutdown/71306/?oref=workforce\\_week\\_nl](http://www.govexec.com/pay-benefits/2013/10/thousands-federal-employees-file-unemployment-amid-shutdown/71306/?oref=workforce_week_nl)

<sup>9</sup> Faced with thousands of out-of-work Defense Department subcontractors, for example, the federal government was forced to order some 400,000 Pentagon civilian employees back to work, and to retroactively pay their wages. (<http://www.rfi.fr/ameriques/20131006-etats-unis-shutdown-pentagone-reintegrer-civils-travail-emploi-chuck-hagel-defense>).

<sup>10</sup> <http://www.governing.com/blogs/fedwatch/gov-what-a-federal-shutdown-means-for-state-and-local-governments.html>

<sup>11</sup> <http://www.nytimes.com/2013/10/17/business/economy/high-cost-to-the-economy-from-the-fiscal-impasse.html?hp>