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Three Reasons Why a Government Shutdown Is Harmful



Government shutdowns occur when Congress fails to pass legislation to fund the federal government at a funding deadline. This legislation comes in the form of 12 appropriations bills that fund the full range of government agencies. If Congress fails to pass some or all of these 12 bills, the government experiences a partial or full “shutdown.”

The drama surrounding government shutdowns frequently occurs around October 1, which marks the beginning of the government’s fiscal year. Often, however, lawmakers choose to pass a temporary funding bill (known as a continuing resolution) which expires after a designated timeframe, at which point there is another deadline to meet to avoid a shutdown.

Here are three reasons why government shutdowns are harmful:

1. Government shutdowns are costly.

It may be counterintuitive, but government shutdowns are expensive. A government shutdown requires programs and government operations to be stopped, only to eventually be started up again, and that has costs. In 2013, the Office of Management and Budget (OMB) estimated that the lost productivity of government workers during the shutdown that year, which lasted 16 days, cost the government \$2 billion.

2. Government shutdowns are bad for the economy.

Government shutdowns can harm economic growth and certainty. A 2013 Macroeconomic Advisors paper

found that government shutdowns can impose costs on the economy such as increased unemployment rate, lower growth in Gross Domestic Product (GDP), and higher borrowing costs. The Bureau of Economic Analysis estimated that the government shutdown in October 2013 reduced fourth-quarter GDP that year by 0.3 percentage points. Additionally, an S&P Global analysis found that a government shutdown in 2017 could have reduced real fourth-quarter GDP growth by \$6.5 billion per week. The Congressional Budget Office estimated that the partial government shutdown that lasted from December 22, 2018 until January 25, 2019 reduced real GDP by \$11 billion over the fourth quarter of 2018 and the first quarter of 2019 (although they assume that much of that reduction will be made up later in the year).

3. Government shutdowns interrupt federal programs and services.

While some programs such as Social Security and Medicare would remain largely unaffected by a government shutdown, other programs and services could be interrupted by the temporary furlough of “nonessential” government staff. In 2013, OMB showed that the shutdown that year disrupted scientific research, services for veterans and seniors, and health and safety inspections by the Food and Drug Administration and the National Transportation Safety Board, among other programs.

Conclusion

Engaging in fiscal brinksmanship is not an effective way of addressing our nation’s fiscal challenges. It delays the tough decisions and has real costs for the budget, the economy, and everyday Americans. Instead of governing by crisis, lawmakers should work together to create a long-term plan that addresses the growing mismatch between spending and revenue and puts us on a sustainable fiscal path.

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