



## Fact Sheet: A Republican Shutdown Would Hurt the Economy and Middle Class

*Now that the recovery is taking root and the economy is improving, the last thing Washington Republicans should do is threaten to weaken economic growth and cost jobs with a manufactured crisis. Republicans are so obsessed with refighting old political battles over health care reform that they are willing to push us toward a government shutdown that would hurt economic growth and stop services for middle-class families and small businesses. Instead of threatening to shut down the government just to go back to the days when insurance companies were in charge of health care, Republicans should work with Democrats on a bipartisan deal that will lay a foundation for economic growth and strike a better bargain for middle-class families.*

### **A Government Shutdown Would Wreck the Recovery**

**The recovery is picking up steam.** Five years after the financial crisis and coming out of the worst recession since the Great Depression, the recovery is taking root. Job creation, economic growth, and other key economic indicators are all headed in the right direction.

- The private sector has created 7.5 million jobs over the last 42 months. There are more people on private, nonfarm payrolls than at any time since September 2008. [DPCC, [9/6/13](#), Third Way, [9/18/13](#)]
- Jobless claims are close to a five-year low. [WSJ, [8/22/13](#)]
- The second quarter of 2013 marked nine consecutive quarters of economic growth, the longest stretch since before 2008. [Third Way, [9/18/13](#)]
- Housing starts reached 5.5 million during the first half of 2013, the highest for a six-month calendar period since the first half of 2008. In the second quarter of 2013, the Case-Shiller U.S. National Home Price Index reached its highest level since the third quarter of 2008. [Third Way, [9/18/13](#)]
- Consumer sentiment at a five-year high. [AP, [8/27/13](#); Third Way, [9/18/13](#)]

**A government shutdown would stunt economic growth.** In 2011, independent economic estimates found that a shutdown would cost the economy 0.2% of GDP each week. According to CBO, the 1995-96 shutdowns (which lasted 27 days in total) reduced GDP growth by roughly 0.5%. The White House has projected that, in the current scenario, a government shutdown could cost our economy \$10 billion per week. [ABC News, [2/23/11](#); Macroadvisers, [2/28/11](#); CBO, [8/1/06](#); White House, [9/30/13](#)]

- According to Moody's Chief Economist Mark Zandi, a shutdown lasting a few days would cost the economy 0.2% of GDP, while a longer shutdown could cost as much as 1.4%. [Testimony of Mark Zandi, [9/18/13](#)]

- According to Barclay's senior U.S. economist Michael Gapen, even a one week government shutdown would cut growth by 0.12% and dampen real GDP growth significantly. [International Business Times, [8/20/13](#)]
- The U.S. Chamber of Commerce has called on Congress to keep the government open, stating, "It is not in the best interest of the U.S. business community or the American people to risk even a brief government shutdown that might trigger disruptive consequences or raise new policy uncertainties washing over the U.S. economy." [US Chamber of Commerce, [9/18/13](#)]
- Bank of America Merrill Lynch: "A key part of our optimistic forecast for next year is that there is not a sustained shutdown this fall; the latest bickering leaves us a little more concerned." [NY Times, [8/3/13](#)]

**A shutdown would shake consumer confidence.** The last government shutdown caused significant decline in Americans' consumer confidence. During the 1995-96 government shutdowns, consumer confidence dropped 10.8 points. At the time, this was the biggest drop in nearly 4 years. [Huffington Post, [3/30/11](#)]

**A shutdown would burden state governments.** In 2011, roughly 17% of all government outlays were grants to state and local governments. The vast majority of these funds support activities and jobs in health, income security, education, and transportation sectors. Meanwhile, 31 states are facing fiscal shortfalls. A shutdown would only worsen the economic conditions of states still recovering from the recession and place more healthcare workers', social workers', and teachers' jobs in the crosshairs. [CBO, [3/5/13](#); CBPP, [6/27/12](#)]

**A shutdown would cut off critical infrastructure investments.** In the event of a shutdown, the Federal Transit Administration will be unable to process any grants to transit systems for construction projects or operations. Recently, those payments have totaled \$198 million per week. The Federal Highway Administration would also be at risk of running out of authority to pay its employees at the end of the month. [FTA, [9/26/13](#)]

**A shutdown closes our national parks and hurts our local economies.** A government shutdown requires nearly 1,000 national parks, wildlife refuges, and recreational lands across the country to close, turning away roughly 750,000 visitors each day. The lack of tourism and economic activity results in \$30 million in lost revenue per day for these local communities. [National Park Conservation Association]

### **A Shutdown Would Slam Middle-Class Families and Small Businesses**

**A shutdown could delay financial support for more than 1,000 small businesses a week.** In FY2012, the SBA's flagship 7(a) and 504 loans programs approved 53,847 applications and supported 571,383 jobs over the course of 12 months. This included a total of more than \$21.8 billion in financial support throughout the year, averaging more than \$63.4 million per day. [SBA Calculations; SBA [FY14 Budget Justification](#)]

**A shutdown stops support for small businesses to grow and sell their products abroad.** During a shutdown, the Export-Import Bank stops all new financing for U.S. exporters. In FY12, the Bank helped support an estimated 255,000 American jobs at 3,400 companies throughout the United States. 88% (3,313) of all the Bank's transactions were for small businesses totaling \$6.1 billion. [[Ex-Im](#)]

**A shutdown would end nutritional support for pregnant women and children.** If the government shuts down, the Women, Infants, and Children (WIC) program will only be able to continue serving participants for one week. After that, no federal funds would be available to support

WIC's clinical services, food benefits and administrative costs. Average monthly participation in FY2012 totaled more than 8.9 million, including 4.7 million children and 2.1 million infants. [USDA, [9/27/13](#); FNS, [9/6/13](#)]

**A shutdown will stall Social Security services.** Although checks for current Social Security benefits would still go out during a shutdown, many Social Security services will be not be available such as obtaining a replacement Social Security card and preventing improper Social Security payments. As a result of furloughs and service cuts during the last shutdown, 112,000 claims for Social Security and disability benefits were not taken, 212,000 applications for Social Security Numbers were not taken, and 800,000 callers were denied service on the Social Security Administration's 800 number. [SSA, [9/25/13](#); SSA [History](#)]

**A government shutdown would compromise public health.** In the event of a government shutdown, 70% of NIH's employees will be furloughed, the NIH Clinical Center would stop accepting new patients, and for each month an impasse lasts, more than 800 new patients would be deferred admission. The Center for Disease Control (CDC) labs will be closed, and national flu disease surveillance would be suspended just as the beginning of flu season hits. [Washington Post, [9/30/13](#)]

**A government shutdown compromises young children's school readiness.** A government shutdown could delay funding for 22 Head Start providers across the country, jeopardizing early childhood education and care for the 18,000 children and families those programs serve. Ongoing grants to these 22 organizations were scheduled to be renewed in October. A government shutdown could force Head Start Centers around the country to close. During FY12, an estimated 1,600 Head Start agencies served over 950,000 children. [CAP, [4/11](#); HHS; CRS, [1/9/13](#)]

### **A Government Shutdown Puts Americans At Risk**

**A shutdown endangers air travelers putting unchecked airplanes in the sky.** Roughly 90% of our nation's 3,000 aviation safety inspectors are being furloughed by the Federal Aviation Administration as part of a government shutdown. The majority of aircraft must have a complete inspection annually, while commercial planes must complete an inspection every 100 flying hours. [Time, [9/30/13](#); FAA]

**A government shutdown would result in the interruption of training of all new law enforcement officers by the Federal Law Enforcement Training Center.** Federal Law Enforcement Training Centers (FLETC) comprise a network of federally operated training centers for law enforcement personnel throughout the nation. FLETC serves as an interagency law enforcement training organization for 91 federal agencies and also provides training to state, local, rural, tribal, territorial, and international law enforcement agencies. A shutdown would delay agencies like Customs and Border Protection, Immigration and Customs Enforcement, Secret Service, and the Federal Air Marshal Service from bringing on newly hired officers. [FLETC]

- During FY 2012, almost 70,000 students received FLETC training. Since it was established in 1970, approximately 1,000,000 law enforcement officers and agents have been trained at FLETC.

**A shutdown endangers benefits owed to our nation's veterans.** The VA will run out of money to pay mandatory benefits for existing beneficiaries by the end of October. This would affect disabled veterans, poor wartime veterans, survivors, and students. During the 1995-96 shutdowns, more than 400,000 veterans saw their disability benefits and pension claims delayed, while educational benefits were delayed for 170,000 veterans. [Army Times, [2/3/11](#); CNN, [1/4/96](#); Army Times, [9/28/13](#); Washington Post, [9/27/13](#)]