

The Economic Costs of a Republican Shutdown

A Republican-led government shutdown would have serious impacts on the U.S. economy. It would reduce economic output and harm consumer confidence as many important government functions would shut down due to lack of funds. Americans would face disruptions to important benefits, many private businesses would have to alter their operations, and federal workers across the country would be furloughed and go unpaid. Congress must act to prevent this avoidable harm to the U.S. economy.

A shutdown would hurt the U.S. economy and create economic uncertainty

Evidence from past government shutdowns shows that they reduce economic growth, create financial uncertainty for families, and cause unnecessary government spending.

- The Congressional Budget Office (CBO) estimated that the five-week partial government shutdown in 2018-2019 [reduced](#) economic output by \$11 billion in the following two quarters—including \$3 billion that the U.S. economy never regained. Moody's Analytics estimated that the 2013 full government shutdown [reduced](#) GDP growth by \$20 billion.
- At the time of the 2013 shutdown, consumer confidence [fell](#), threatening the economic recovery following the Great Recession. A shutdown this fall would jeopardize the improvements in consumer confidence as inflation has returned to more normal levels.
- A shutdown would be especially disruptive on the heels of the latest debt-limit crisis and the recent [downgrade](#) of U.S. treasuries by the credit agency Fitch. A Republican-led government shutdown would create more doubt about whether the United States can reliably manage its finances.
- Government shutdowns may ultimately add to the federal deficit due to the costs of stopping and restarting government programs. According to data from 2013, the cost of the full government shutdown in lost work-hours [totaled](#) at least \$2 billion.

A government shutdown would impact private businesses while disrupting finance and international trade

Not only would government spending be affected, but private businesses would see their operations impacted. Businesses would face delayed loans, mortgage applications would fall, and international trade would stall.

- Small businesses may encounter [delays](#) in receiving loans from the federal government. Moody's Analytics estimated that the 2018-2019 shutdown [delayed](#) over \$2 billion in loans to small businesses, as the Small Business Administration was unable to make new loans.
- During the 2013 government shutdown, the Mortgage Bankers Association found that mortgage applications [dropped](#) by 7% in the second week of the shutdown as consumer

confidence fell and federal systems that [process](#) mortgages were put on hold. If this similar pattern occurred today, a shutdown would lead to 9,000 fewer mortgage applications each week.

- A shutdown means that farmers and businesses alike can [lose](#) access to updated federal data on key measures like employment, oil prices, trade flows, and agricultural trends that they use to guide important business decisions. In 2014, the Economic and Statistics Administration reported that federal government data helped private industry to annually [generate](#) between \$24 and \$221 billion.
- The 2013 shutdown [stalled](#) international trade as federal agencies were unable to process export licenses, certify over 2 million liters of American-made alcohol for export, or process \$3 billion in approvals for loans, guarantees, and insurance to support U.S. exports.
- During the 2018-2019 shutdown, experts warned that [delays](#) at the border during an extended shutdown would lead to higher freight rates that would be passed onto consumers through higher prices.
- A shutdown would also [disrupt](#) the average \$13 billion per week in federal contracts that go to businesses throughout the country—nearly \$3 billion of which goes to [small businesses](#). Private companies that have work contracts with federal agencies could face [barriers](#) to funding and be forced to [lay off](#) workers, lose funds due to lack of available contract work, or end up not being [reimbursed](#) for completed projects.

Federal workers and contractors who do vital work throughout the country would not be paid during a shutdown and many would not be able to do their jobs

During a shutdown, a large portion of the federal workforce would be furloughed—meaning that they would not be allowed to work and would only be paid after the shutdown ends. This creates a lose-lose scenario where the public misses out on important government services and federal workers miss their regular paychecks.

- A bipartisan congressional report found that the last three government shutdowns led to the equivalent of 56,940 years in [lost productivity](#) from federal workers being furloughed. These lost work hours deprived the American people of important public services, delayed furloughed federal employees from receiving backpay, and cost the government at least \$338 million in additional processing costs and late fees.
- While federal employees are [guaranteed](#) backpay during shutdowns, a prolonged shutdown could mean multiple missed paychecks and strained household budgets for these workers.
- In 2013 and again in early 2018, roughly 850,000 out of 2.1 million non-postal federal employees were [furloughed](#). Additionally, at the beginning of the 2018-2019 partial shutdown, about 380,000 federal employees were furloughed, and another 420,000 reported to work but went unpaid.
- Over 80% of federal workers live and work [outside](#) the D.C. area, meaning that local economies across the country would be harmed by federal worker furloughs, as families delay purchases or are forced to miss regular bill payments.

Federal Employees Live and Work Throughout the Country

State	Number of Federal Employees	State	Number of Federal Employees
Alabama	46,826	Nebraska	12,596
Alaska	13,220	Nevada	16,578
Arizona	46,711	New Hampshire	5,233
Arkansas	15,463	New Jersey	28,890
California	187,679	New Mexico	25,967
Colorado	43,634	New York	71,921
Connecticut	10,464	North Carolina	57,488
Delaware	4,082	North Dakota	7,450
District of Columbia	188,343	Ohio	58,212
Florida	115,126	Oklahoma	44,486
Georgia	90,440	Oregon	20,539
Hawaii	32,256	Pennsylvania	72,192
Idaho	10,225	Rhode Island	8,801
Illinois	52,389	South Carolina	27,222
Indiana	27,018	South Dakota	9,428
Iowa	10,612	Tennessee	40,704
Kansas	19,977	Texas	168,413
Kentucky	27,567	Utah	33,724
Louisiana	23,565	Vermont	5,303
Maine	13,394	Virginia	170,851
Maryland	144,165	Washington	63,606
Massachusetts	29,709	West Virginia	21,643
Michigan	33,885	Wisconsin	18,796
Minnesota	20,444	Wyoming	6,290
Mississippi	21,405	Puerto Rico	16,498
Missouri	40,962	Virgin Islands	793
Montana	11,030	U.S. Total	2,276,924

Source: Bureau of Labor Statistics – Quarterly Census of Employment and Wages

Note: Data include non-defense, non-postal totals for each state as of December 2022.

- A 2019 study found that the states that would be most [affected](#) by a government shutdown, outside the D.C. area included New Mexico, Hawaii, Alaska, West Virginia, Mississippi, Alabama, and Arizona.

American families' federal benefits could be stalled or put in jeopardy

The distribution of important food and cash assistance could be disrupted during a shutdown, increasing hardship for millions of families.

- Over 42 million Americans who receive Supplemental Nutrition Assistance Program (SNAP) benefits would see their average monthly benefit amount of \$236 [at risk](#). During previous shutdowns, continuing resolutions have only allowed the Department of Agriculture to [send out](#) SNAP benefits for [up to 30 days](#) once a shutdown starts.
- Over 2.8 million Americans who receive Temporary Assistance for Needy Families (TANF) benefits could be [harmed](#) if the federal portion of TANF funding is not renewed. During the 2013 shutdown, states were temporarily [forced](#) to pay the federal portion of TANF benefits.
- Over 6.3 million participants who received benefits from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) each month in FY 2022 could see those benefits put [in jeopardy](#). Low-income pregnant and postpartum women, infants, and young children would face increased nutritional risk in the absence of WIC.
- Social Security, Medicare, and Medicaid benefits would not be affected by a shutdown because these programs are not funded through the yearly budget process. However, employees who work at the agencies that administer these programs would be furloughed during a shutdown, and services like benefit verification and card issuance could [cease](#).

Travel and recreation could be impacted, disrupting local economies that rely on tourism

Travelers at airports and visitors to national parks across the country could see disruptions, resulting in delayed or reduced travel and fewer tourism dollars for nearby communities.

- Travelers could face longer lines at airport security checkpoints and flight delays during a shutdown. Some TSA agents [did not report](#) for work during the 2018-2019 shutdown, and some air traffic controllers were also absent, causing delays at major airports.
- A shutdown would delay passport processing, which could cause a significant disruption given the [surge](#) in passport applications this year. Nearly 19 million Americans [submitted](#) passport applications in FY 2022.
- National parks could close or provide limited services. Millions of visitors were [turned away](#) from national park sites across the country during the 2013 shutdown, leading to an estimated \$500 million in lost visitor spending nationwide. While many parks remained open during the 2018-2019 shutdown, visitor services were not provided.

These costs show how damaging a Republican shutdown would be to the U.S. economy. The solution is clear: fund the government and spare the American people this unnecessary pain.