

# The Shutdown, The Countdown, and The Breakdown: Dysfunction in The District



Jay K. Rosengard, Kennedy School of Government, Harvard University

# Outline of Presentation

- The Federal Government Shutdown
- The Debt Ceiling Countdown
- The Political Breakdown
- Coming Attractions in 2014

# The Federal Government Shutdown



# The Shutdown (1)

- No budget approved by Congress on 1 Oct 2013
- None of 12 major appropriation bills passed
- No continuing resolution for temporary funding
- All non-essential workers furloughed
  - Essential: “performing emergency work involving the safety of human life or the protection of property or performing certain other types of excepted work”
  - Furloughed: “leave without pay”
- Decided department by department
- Many basic government services affected
- Those with own funding streams not included
- Not really shutdown; slowdown, only federal level
- 16 days; government financed through 15 January

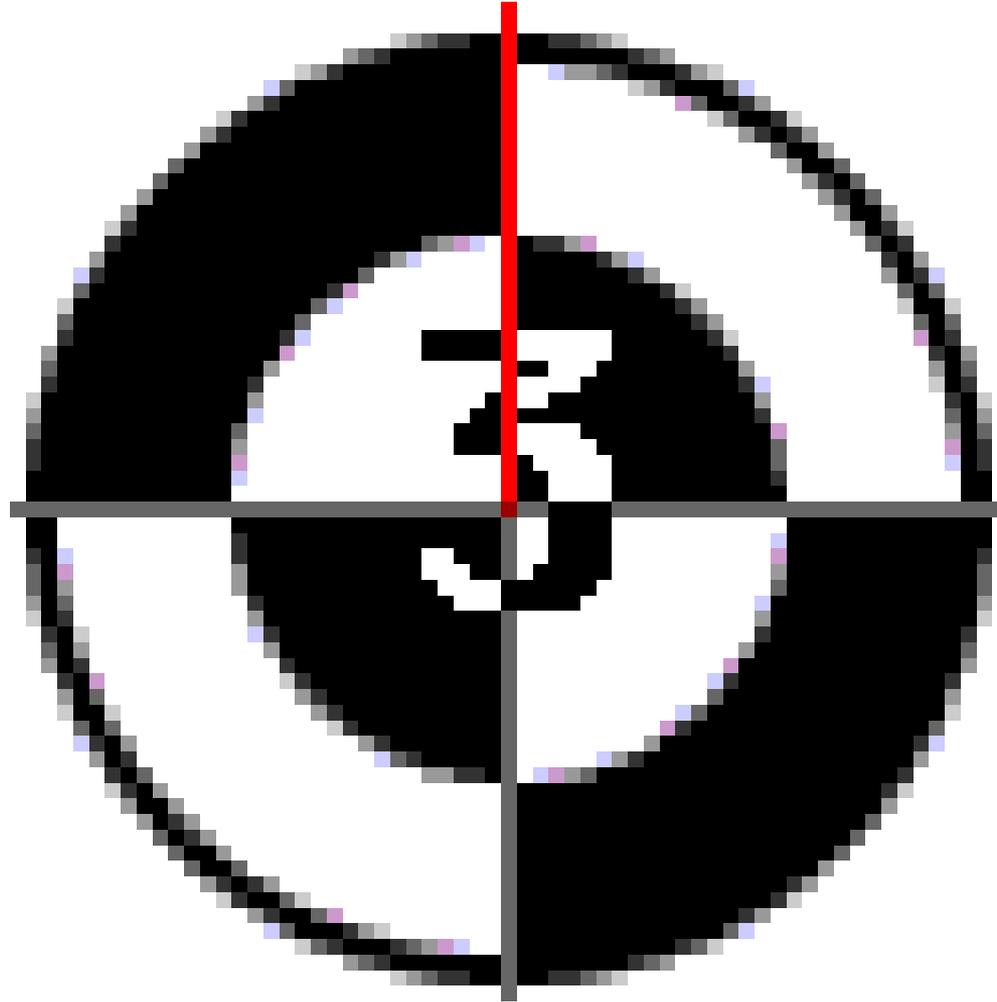
# The Shutdown (2)

- Last major shutdown 1995-96 (about 3 weeks)
- President Clinton vs. House Speaker Newt Gingrich
- President Obama vs. House Speaker John Boehner
- Differences
  - Reduce the deficit vs. delay/defund Obamacare
  - Republicans united vs. Republicans divided
  - “Hastert Rule”
  - Economy booming vs. economy fragile
  - National debt \$5 trillion vs. \$17 trillion

# The Shutdown (3)

- Obamacare
  - Patient Protection and Affordable Care Act (2010)
  - Increase coverage and access for 40 million uninsured
  - Expanded Medicaid and Children's Health Insurance Program, subsidized private insurance premiums and health insurance exchanges, fewer restrictions
  - Offset costs by increased revenue and spending reforms to improve health care efficiency/effectiveness
  - CBO and Joint Committee on Taxation estimate will reduce federal deficits \$143b 2010-19, 94% coverage
  - Annual health spending in 2010-12 increased 1.1% in real per capita terms, lowest rate in 50 years
  - All Republicans in both houses voted against it
  - Ruled constitutional by Supreme Court in 2012

# The Debt Ceiling Countdown



# The Countdown

- Ran out of money in mid-August 2013
- Discretion in Treasury management extended time
- 17 October 2013 new deadline
- Increase debt ceiling does not authorize new spending, but instead allows the federal government to borrow money to pay for laws already passed by Congress
- Common practice: 78 times since 1960 (49 times under Rep president, 29 times under Dem president)
- Risk to trust in American debt, possible domestic and international ramifications (potential sharp drop in federal spending, stock prices, value of the dollar; spike in interest rates; financial crisis and economic recession)
- Increased to \$16.7 tr; new deadline March/April 2014<sub>8</sub>

# The Political Breakdown



# The Breakdown

- One faction of one party of one house of Congress
  - Senate: 54 Democrats, 46 Republicans (+8)
  - House: 200 Democrats, 232 Republicans, 3 Vacant (-32)
    - Republicans have 15 member cushion ( $232 - 217 = 15$ )
  - Tea Party Republicans: 35 hardliners, 50 in TP Caucus
  - Without hardliners, Republicans do not have a majority ( $232 - 35 = 197 \rightarrow 197$  vs. 217)
- Swing districts (districts won by Dem President)
  - During last shutdown, 79 of 236 House Republicans
  - Now 17 of 232 in swing districts

# Coming Attractions in 2014 (1)

- December 2013
  - Congress passes two-year, bipartisan budget plan (vote was 64 to 36 in Senate, 332 to 94 in House); details to be worked out by House and Senate Appropriations Committees
  - First successful budget agreement since 2011; “cease fire”
  - Avoids \$63b in automatic, cross-the-board spending cuts to military and domestic programs (sequestration) scheduled for 2014 & 2015 (about  $\frac{1}{3}$  of total), buys time to address long-term revenue and expenditure issues
  - 2014 total discretionary spending raised to \$1tr (of about \$3.8tr)
  - Paid for by increases in airline ticket security tax, corporate premiums for government guarantee of pensions, increased contribution of federal workers to their pension plans, reduced cost-of-living increases in benefits to military retirees under 62
  - Extension of unemployment benefits not renewed (1.3m workers affected immediately, many more later)
  - Unprecedented government downsizing since 2010, esp. in education, infrastructure, research, and conservation; sequestration still in effect

# Coming Attractions in 2014 (2)

- January 2014
  - Congress passes omnibus budget bill that sets discretionary spending limits line by line for each federal agency until 30 September 2014
  - Total \$1 trillion in discretionary spending; excludes mandatory spending (e.g., Social Security, Medicare, Medicaid), \$92 billion for foreign military operations, \$6.5 billion for emergency expenses (e.g., disasters)
  - Deficit estimated to be about 4.1% of GDP
  - Debt ceiling must be raised again in March/April
  - Structural problems not addressed (comprehensive tax and expenditure reform)

