



Debbie Wasserman Schultz says federal shutdown is projected to cost the economy \$10 billion per week

By: [Amy Sherman](#) - October 3rd, 2013

Now that we're living in a federal government shutdown, what's the hit to the economy? U.S. Rep. Debbie Wasserman Schultz wagged her calculator at the GOP and cited a whopping figure on Twitter.

"\$10 billion in costs to the economy per week and this is what the R's had to say?" [tweeted](#) Wasserman Schultz, D-Weston, who also serves as the chair of the Democratic National Committee.

We wanted to check her number: How much will the shutdown cost the economy?

Predictions about economic shutdown

Wasserman Schultz's numbers are the same as those from the [White House](#). A White House spokesman said the \$10 billion figure came from an August report from the investment group [Goldman Sachs](#). We also found similar estimates from [Moody's](#) and [IHS](#).

These financial firms agree that the impact depends on how long the shutdown goes on. The impact gets worse the longer a closure lasts.

"A brief shutdown would delay, not cancel, most spending," said the Goldman Sachs report. "In a brief shutdown, it is likely that only federal employee compensation would be lost — most of the other activity would just be delayed and made up later. A longer shutdown — the longest shutdown on record in late 1995 and early 1996 lasted about three weeks — would affect a greater share of federal activities."

The report includes three scenarios based on a two-day, one-week and three-week shutdown. It predicts a \$2.6 billion economic loss for a two-day shutdown, \$10.4 billion for a week and \$36.8 billion for three weeks.

Moody's found that a shutdown lasting three to four weeks would cost \$55 billion, with costs accelerating as time goes on. Moody's takes into account the losses from federal workers not getting paid, the delay of housing and small business loans, the hit to tourism spending and the interruptions for contractors.

"To be clear, these are rough estimates of what we think impacts will be," Moody's analyst Brian Kessler told PolitiFact. "There is just a ridiculously large number of moving parts."

Mark Zandi, chief economist at Moody's, [testified](#) before the Joint Economic Committee about the shutdown in September.

"A shutdown that lasts only three or four days would have modest economic consequences, costing the economy approximately 0.2 percentage point of annualized real GDP growth in the fourth quarter. ... However, shutting the government down for three or four weeks would do significant economic damage, reducing real GDP by 1.4 percentage points in the fourth quarter. And this likely understates the economic fallout, as it does not fully account for the impact of such a lengthy shutdown on consumer, business and investor psychology."

[IHS](#) calculated a loss of \$1.6 billion for one week as a result of furloughs, with the impact increasing for a longer shutdown.

"The spending habits of government employees probably would not change if the shutdown was short-lived, particularly if they believed that they would receive back wages, as in 1995," states the September IHS report. "Any uncertainty about compensation, however, could increase the impact on consumer spending. Meanwhile, incomes would be maintained for Social Security beneficiaries. Medicare payments would also continue, so spending on health care services would not be harmed and hospitals and doctors would receive payments."

Other experts weighing in on the estimates

We also read [studies about](#) previous shutdowns and [media reports analyzing](#) the potential hit to the economy. We interviewed Tad DeHaven, budget analyst at the libertarian Cato Institute; Jason Pequet, Committee for a Responsible Federal Budget and Dean Baker, an economist with the liberal Center for Economic Policy Research.

Our experts generally agreed on one key point: The economic hit will depend on how long the shutdown lasts.

Jason Pequet of the Committee for a Responsible Federal Budget, told us that it "extremely difficult to quantify" the impact on the economy of a shutdown.

"Sure, analysts can calculate the direct costs of furloughing federal employees," Pequet told PolitiFact in an email. "But once you factor in the impacts on thousands of federal contractors, the time and resources lost preparing for and implementing the shutdown, the added economic uncertainty of how lawmakers will resolve this, how the Federal Reserve may respond if the shutdown continues for an extended period, and then the ensuing economic reverberations of these changes, it is a very imprecise exercise."

DeHaven of Cato emphasized that these analyses from economists are just estimates and that the actual impact on the economy could be different.

"If you go back and look at previous shutdowns, there was no long-term effect...", DeHaven said. "For Wasserman Schultz or the White House to tweet out this going to cost X amount of money to me is

nonsense. You could talk about the cost associated due to government creating uncertainty in the economy for a lot of things Washington is doing."

The nonpartisan Congressional Research Service concluded that the cost of shutdowns in fiscal year 1996 was [\\$1.4 billion](#) -- most of that was for back pay to furloughed workers, according to University of Maryland political science professor [Roy Meyers](#). In 1995, the government first closed from Nov. 14-19 and then again from Dec. 16-Jan.6.

But Pequet and Meyers told us that there are some factors that could make the shutdown economic hit different today, which means we can't simply add an inflation factor to the mid 1990s shutdowns.

Back then, several appropriations bills had already been enacted -- allowing spending in several areas of the federal government. This time, those bills haven't been enacted. The federal government also relies more heavily on contractors than it did in the 1990s, and they are unlikely to get back pay.

"We are still learning a lot of this as we go," Pequet said.

Another factor to consider: The economy is much worse now than it was in the mid 1990s.

"This one is going to be bigger in terms of daily costs...," Meyers told PolitiFact. "The economy is weaker. It can't handle as much of a shock as it could handle in '95-'96."

Our ruling

Wasserman Schultz said the shutdown is projected to result in "\$10 billion in costs to the economy per week." That number comes from an investment report from Goldman Sachs. We found other estimates from financial firms that were slightly larger and slightly smaller than the \$10 billion figure, but they were in the same ballpark.

A key point here, though, is that these are estimates. Experts agree that caution and caveats are needed: There is much uncertainty about the economic impact, including the timing and length of the shutdown. For instance, if the shutdown is short and workers get paid back wages, the impact could ultimately be modest. If the shutdown continues for several weeks, the price tag could escalate exponentially.

Overall, we rate this statement Mostly True.