



## How will the Bipartisan Budget Act affect businesses, government?

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August 5, 2019

Now that President Trump has inked the Bipartisan Budget Act of 2019, what does it mean for businesses and the federal government? For one thing, [the BBA](#) suspends the national debt limit until after the 2020 election and hikes spending by \$324 billion over two years.

“That makes it easier for Congress to do something to help small businesses if it wants to,” Frank Knapp Jr., head of the South Carolina Small Business Chamber of Commerce, told MultiBriefs in an email. “We’ll see.”

Meanwhile, economists disagree on the strengths and weaknesses of increased federal borrowing and spending under the BBA of 2019.

Jeffrey Miron is the director of economic studies at the Cato Institute in Washington, D.C., and the director of undergraduate studies in the Department of Economics at Harvard University. He takes a sour view of the BBA 2019.

“While the recent budget deal has the benefit of removing (short-term) uncertainty about the debt ceiling,” he told MultiBriefs in an email, “the budget itself continues Washington’s spendthrift ways. Projections from the (nonpartisan) Congressional Budget Office show that the U.S. fiscal path is unsustainable.”

We turn now to Dean Baker, a senior economist with the Center for Economic and Policy Research in Washington. In his view, the government’s higher borrowing is manageable.

“The burden of the debt is measured by the interest paid to bondholders,” [according to Baker](#), “which is actually at a historically low level relative to Gross Domestic Product. It is around 1.55%, after we subtract the interest rebated by the Federal Reserve Bank to the Treasury. It had been over 3.0% of GDP in the early and mid-1990s.”

U.S. GDP grew, on average, [by 4% a year from 1992-99](#) compared with a 3.85% growth rate in 1983-90, according to the Bureau of Economic Affairs. There was a recession, or economic contraction, in 1990-91.

Meanwhile, economic slowdown is underway. GDP growth dropped to 2.1% in the second quarter of 2019 from 3.1% in the first quarter, [according to the BEA](#).

The decline in the rate of GDP growth has impacts in the private-sector nonfarm job sector. Growth in the small-business sector (1-49 employees) has been slowing down, according to Mark Zandi, chief economist at Moody's Analytics. A closer look shows how the smallest firms are feeling pain.

Very small businesses (1-19) employees gained, on average, 13,000 new hires a month in first-quarter 2019 versus average monthly job losses of 18,333 in the second quarter, according to the ADP National Employment Report. That report sources ADP's nonfarm private sector payroll data, which surveys 411,000 American clients and about 24 million employees, published in alliance with Moody's Analytics.

“Small businesses are the first to feel a faltering economy and the last to fully recover from a recession,” Knapp said in a statement. “Most net new jobs come from businesses with four or fewer employees and that are less than 5 years old.”

What about impacts of Uncle Sam's new budget on the federal workforce, which spends its income at private firms?

Well, spending under the new federal budget pivots on 12 “separate appropriations bills (that) will spell out exactly what priorities and programs agencies will devote discretionary funding toward in 2020,” Nicole Ogrysko of Federal News Network reports. “Congress must pass all 12 of these bills — or a package of some of them — to avoid a full or partial government shutdown by Oct. 1.”

The 35-day federal government shutdown earlier this year harmed federal workers and contractors. There is bipartisan support to avoid a repeat shutdown.

Such a furlough scenario would also spread pain among businesses — small, midsize and big — that federal workers and contractors patronize, an outcome politicians on both sides of the aisle do not want. As the national election season kicks into high gear, bipartisan support for the two-year budget federal budget that the president signed on Aug. 2 shows a political consensus to avoid such an outcome.