



White House Claim: Government Shutdown Cost Billions, GDP Growth

The partial government shutdown in October will end up costing taxpayers more than \$2 billion and a quarter percent or more in GDP growth for the U.S. economy this year, claimed a [report](#) from the Office of Management and Budget (OMB) released by the Obama White House November 7.

“During the 16-day shutdown,” the OMB [reported](#), “Federal government employees were furloughed for a combined total of 6.6 million days,” amounting to 6.6 million days of paid vacation for federal employees. “We estimate that the total cost of pay for furloughed Federal employees during the period of the shutdown is roughly \$2.0 billion. Total compensation costs, including benefits, are about 30 percent larger, in the range of \$2.5 billion.”

While the direct cost to the taxpayers is more-or-less straightforward — much of the work not completed by government workers will be done later by employees paid overtime wages, or by temporary workers — the White House’s OMB next engaged in the [far more speculative claim](#) that the shutdown hurt the larger U.S. economy.

“Outside experts estimate that the shutdown will reduce fourth quarter Gross Domestic Product (GDP) growth by 0.2-0.6 percentage points.”

Central to the White House claims of larger damage to the economy are statistics related to delay in various government services, such as the [claim](#) that the shutdown

disrupted tourism and travel by closing national parks and the Smithsonian. The National Park Service (NPS) estimates that the shutdown led to over \$500 million in lost visitor spending nationwide, a significant economic hit to communities surrounding national parks and monuments.

Prevented hundreds of patients from enrolling in National Institutes of Health (NIH) clinical trials.

Of course, in those cases the White House made a show of spiking these programs during the shutdown. In the case of National Parks, the White House went out and unnecessarily purchased barriers to keep tourists out of national parks — even open-air parks — during the shutdown. (See *The New American’s*



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explanation of the controversy [here](#).) As with the case of the National Park Service, the GOP-controlled House [passed a bill](#) during the shutdown to keep the NIH open. But Obama threatened a veto of the bill. Ultimately, the president persuaded the Democratic-controlled Senate not to vote on the measure, and they were [spiked by procedural votes](#), obviating the need for an Obama veto and keeping the NIH closed throughout the 16-day shutdown.

But most of the claims of “negative economic impact” of the shutdown are based upon defective economic analysis, largely ignoring what French economist Frederick Bastiat explained in his booklet [That Which Is Seen, and That Which Is Unseen](#) (source of the “[Broken Window Fallacy](#)”). The OMB [analysis](#) sees the delay in Export-Import Bank loan subsidies, Small Business Administration subsidies, and research by the National Science Foundation and the National Institutes of Health as a negative on the economy as a whole. But in an economic sense, each of these spending measures amounts to a distortion of the natural economy by first diverting resources from economically sustainable projects in order to fund the subsidies that would not survive in a free market.

The OMB calculations have no way to account for what would have been done with the money used from the subsidies had the funds been left in the free market. Indeed, the delay in diverting resources toward the sustainable private sector from government subsidy programs that the private sector had already voted as unsustainable may have had an overall positive impact on the economy.

But the real political motivation behind the OMB study was to help demonize the Obama administration’s political opposition. And true to form, the knives have come out against constitutionalists in Congress in the form of GOP primary challengers since the partial shutdown. The Washington, D.C.-based newspaper *The Hill* [reported](#) November 10 that financial kingpins have targeted House Liberty Caucus Chairman Justin Amash in a primary, as the Michigan Republican has led the move in the House for both fiscal sanity and a non-interventionist foreign policy. *The Hill* story carried the headline, “Donors plot against GOP rebel,” and explained: “Business leaders are plotting to take down Rep. Justin Amash (R-Mich.) as part of a broader effort to punish lawmakers over the government shutdown.”

The Hill article detailed a fund-raising letter on behalf of Amash’s primary challenger Brian Ellis, an establishment Republican whose criticism seems as much based upon Amash’s foreign policy as his actions during the shutdown. Amash has made enemies in Washington, especially [fellow Michigan Republican Mike Rogers of the House Intelligence Committee](#), but he has also won some dogged allies. “He’s the gold standard of principled constitutionalism in Congress,” FreedomWorks Vice President Dean Clancy told *The Hill*. Amash also recently obtained the [endorsement of the well-funded fiscally conservative organization Club for Growth](#) (which also endorsed interventionist Republican Congressman Tom Cotton of Arkansas). And he has the strong support of many [organizations created in the wake of the Ron Paul presidential race](#).

Look for Obama’s OMB report to be used as a bludgeon in both GOP primaries and in the 2014 general elections against Tea Party-aligned Republicans such as Amash.



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