



The Daily Dish

Shutdown

OCTOBER 1, 2013

At midnight last night, lawmakers failed to reach a consensus on how to fund the government and did not pass a continuing resolution, resulting in a government shutdown. The [New York Times](#) reports: “A flurry of last-minute moves by the House, Senate and White House late Monday failed to break a bitter budget standoff over President Obama’s health care law, setting in motion the first government shutdown in nearly two decades.” DHE has more below on the significance of the government shutdown.

Today also happens to be the day that the Affordable Care Act’s exchanges come online and people can purchase health insurance through the system for the first time. The [Wall Street Journal](#) examines this morning just how much the President’s health care reform law has changed since being signed back in 2010. “Thanks to a Supreme Court ruling, about half the states aren’t participating in a Medicaid expansion that was a core part of the legislation. The federal government is running the bulk of new marketplaces for health insurance, not the states as originally envisioned. And some of the key provisions are delayed, including one that makes larger businesses pay a fine if they don’t offer coverage.” The Journal continues on to spotlight how “Even the Oct. 1 date, long spotlighted as the big launch day for the new marketplaces, is being played down. The Obama administration is planning a low-key rollout.”

Finally, this morning’s AAF housing event – [From Recovery to Reform: Building a Sustainable Housing Finance System](#), starts at 8:30. The event features speakers such as former Governors Tim Pawlenty and Judd Gregg, and Federal Housing Administration Commissioner Carol Galante. If you can’t join us, be sure to watch online here: <http://bit.ly/19apeOL> and tweet your questions for the panel using the hashtag [#Road2Recovery](#).

Eakinomics: Shutdown

It is now official: the federal government is closed. As the [Washington Post](#) put it “The U.S. government began to shut down for the first time in 17 years early Tuesday, after a Congress bitterly divided over President Obama’s signature health-care initiative failed to reach agreement to fund federal agencies.” The impasse raises (at least) three questions:

What is the economic impact? A short shutdown will have a modest impact on the economy. After the government re-opens, back pay is given to employees and the year’s spending occurs in a shorter window. Put differently, the income and purchases from the government are shifted from the shutdown to the future — not lost entirely. A shutdown measured in weeks, not days, might be a different story but that does not appear to be on the horizon.

What happens to the troops? Last night President Obama signed a measure ensuring that the military will continue to be paid during the shutdown. While this does not help the civilian employees of the Pentagon, the active-duty troops will not be in harms way in exchange for IOUs.

What next? This is the key question. One possibility is that the debate remains focused on the merits of ObamaCare. If so, despite the public support for changes to the law (see [here](#) or [here](#)) the shutdown will take a

toll on Republicans who will need a strategy to change course. More likely, the shutdown issue will merge with the need to raise the debt limit.

If so, the dynamic will likely change. Democrats, especially the president, will not be able to repeat their unwillingness to engage. Failure to raise the debt ceiling is dangerous to the global economy. Faced with potential for a meltdown on his watch, the president will have to be an active participant and find a common ground for raising the debt ceiling, and re-opening the government in the process.