

House Republicans' Partisan Continuing Resolution Reckless For Economy, Threatens Government Shutdown

In response to last week's continuing resolution that was pulled from the legislative agenda after the Republican leadership failed to gain enough votes from their most conservative faction, GOP leaders decided to move further to the right in pursuit of an even more reckless and partisan bill. In addition to continuing sequester level funding, this bill also defunds the Affordable Care Act, threatening a government shutdown. House Republicans also remain more than willing to hold our debt limit hostage to their political gamesmanship.

Here's a look at some of the problems with Republicans' strategy:

CONTINUES THE THREAT OF A GOVERNMENT SHUTDOWN

By pursuing such an extreme policy and refusing to work with Democrats toward a bipartisan compromise, Republicans are creating greater uncertainty and increasing the likelihood of a government shutdown. There are a number of warnings from nonpartisan government officials and outside organizations against Republicans allowing the government to shut down:

Federal Reserve Chairman Ben Bernanke: **“A government shutdown, and perhaps even more so a failure to raise the debt limit, could have very serious consequences for the financial markets and for the economy,** and the Federal Reserve's policy is to do whatever we can to keep the economy on course. And so if these actions led the economy to slow, then we would have to take that into account, surely. ... That being said, you know, again, our ability to offset these shocks is very limited, particularly a debt limit shock, and I think it's extraordinarily important that Congress and the administration work together to find a way to make sure that the government is funded, public services are provided, that the government pays its bills, and that we avoid any kind of event like 2011, which had, at least for a time, a noticeable adverse effect on confidence on the economy.” [\[Reuters, 9/18\]](#)

US Chamber of Commerce: **“It is not in the best interest of the U.S. business community or the American people to risk even a brief government shutdown that might trigger disruptive consequences or raise new policy uncertainties washing over the U.S. economy...**Likewise, the U.S. Chamber respectfully urges the House of Representatives to raise the debt ceiling in a timely manner and thus eliminate any question of threat to the full faith and credit of the United States government...” [\[9/18\]](#)

Congressional Budget Office Director Douglas Elmendorf: **“We have now started to prepare for the possibility of a shutdown at CBO --** taking time and energy that we'd otherwise spend in serving Congress more directly ... At agencies that are larger and more complicated, the planning for the shutdown is much more involved.” [\[CNN, 9/18\]](#)

HEALTH CARE DEFUNDING UNREALISTIC

Even Senate Republicans recognize that their colleagues' attempt to hold our economy hostage in a continuous failed effort to defund, undermine or repeal the Affordable Care Act is an unrealistic policy:

Sen. Lindsey Graham (R-SC): “That's a technical thing ... But yeah, like 80 percent of [the Affordable Care Act] it is unaffected ... That seems to not resonate with anybody.” [\[Huffington Post, 9/18\]](#)

Sen. John McCain (R-AZ): “It's a suicide note [to use the debt-ceiling measure to try to hobble the health-care law]... To think that somehow we are going to prevail in an argument to defund Obamacare is just the height of foolishness. The advantage rests with the president of the United States.” [\[Business Week, 9/18\]](#)

Sen. Orrin Hatch (R-UT): “My personal belief is the only way to get rid of Obamacare is to be intelligent and smart about it and gradually just work on it, work it through. But to expect the government to shut down is not the way to do it.” [[POLITICO, 9/18](#)]

Sen. Tom Coburn (R-OK): “I actually don't think it's a smart strategy to shut down the government as a method of defunding Obamacare. I think if you want to do it, do it on the debt limit, don't do it on shutting down the government because our economy is so precarious right now, and shutting down the government won't stop Obamacare one iota.” [[NewsOn6, 8/22](#)]

Sen. James Inhofe (R-OK): “It’s mostly symbolic. We want to have something out there so people continue to talk about it.... That’s a way of keeping the issue alive.... It is something you have to keep doing because you have strong beliefs, and even if logically it isn’t going to work out the way you want it, you still try.” [[National Journal, 9/17](#)]

DEBT PRIORITIZATION DANGEROUS FOR ECONOMY

A bipartisan group of economists have warned against Republicans’ debt prioritization legislation, which would create even greater uncertainty and risk of another downgrade to our nation’s credit rating:

Mark Zandi, chief economist at Moody’s Analytics: “If you don't do it in time, confidence will evaporate, consumer confidence will sharply decline. Businesses will stop hiring, consumers will stop spending, the stock market will fall significantly in value, borrowing costs for businesses and households will rise ... We'll be in the middle of a very severe recession and I don't see how we get out of it. There's no monetary policy response in the current context. We're already at zero interest rates.” [[Reuters, 9/18](#)]

Keith Hennessey, former President George W. Bush’s National Economic Council director: “**Payment prioritization doesn't stop payments, it just delays them.** Then the aggrieved party sues the government, and probably wins, and **it turns into a bloody mess.**” [[KeithHennessey.com, 1/14](#)]

Tony Fratto, Deputy Press Secretary for President George W. Bush and a spokesman on economic policy who fought through approximately seven debt limit increases with Congress: “**Prioritization is impossible.** Is the government really going to be in the position of withholding benefits, salaries, rent, contract payments etc., in order to pay off Treasury bondholders? **That would be a political catastrophe.**” [[Huffington Post, 1/15](#)]

Steve Bell, former Republican staffer with the Senate Budget Committee, now at the Bipartisan Policy Center: “The economic impact of the United States government not honoring ... literally billions of dollars’ worth of domestic commitments, bills, beneficiaries, **I think it would change the nature of the United States. Call it a default, call it a technical default; it doesn’t make any difference. You’re not paying the bills you owe on time and in full. As a practical matter, it just can’t be done.**” [[New York Times, 1/17](#)]

S&P Managing Director of Sovereign Ratings David Beers: “It would mean a very sudden fiscal shock that the longer it lasted would filter powerfully through the system. **Potentially that would be deeply disruptive to the economy.**” [[Reuters, 7/26/12](#)]

JP Morgan Chief Economist Michael Feroli: It “would be like the **financial market equivalent of that Hieronymus Bosch painting of hell.**” [[Washington Post, 1/14](#)]