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U.S. GOVERNMENT SHUTDOWN - CAUSES AND CONSEQUENCES

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The Senate on October 6, 2025, again rejected Democratic and Republican proposals to fund the government and end the shutdown. The Democrats' proposal failed by a 45-55 vote and the Republican bill failed by a 52-42 vote – well below the 60-vote “*filibuster*” threshold. The filibuster allows at least 41 senators to indefinitely delay legislation they disagree with. To reach 60 votes, Republicans need at least seven Democratic senators to vote with them. Senate Republicans have been attempting to secure Democratic support for a House-approved bill that would keep the government funded until November 21. However, Democratic leaders remain steadfast in insisting that any funding package must also include an extension of health insurance tax credits.



Competing bills fail to pass 60-vote threshold, while Trump hints at possible deal with Democrats over health subsidies. The House Speaker, Mike Johnson, canceled plans for the chamber to reconvene in Washington this week, stating on Monday that “*there’s nothing for the House to negotiate*” and that it “*has already fulfilled its responsibility.*”

Meanwhile, Senate Minority Leader Chuck Schumer maintained that the ongoing shutdown can only be resolved through a meeting between congressional leaders and the President. Trump has rescinded his offer to negotiate with Democrats, saying the Minority Party must end the shutdown first.

Chuck Schumer, the Senate minority leader, said after the votes, *“After five failed votes, Republicans should understand that they cannot go forward unless we come to a bipartisan agreement to address the healthcare crisis”*. Democrats have declined to support any funding bill that omits key healthcare-related provisions, notably an extension of premium tax credits for individuals insured under the Affordable Care Act (ACA). But Trump said he might be willing to strike a deal with Democrats on the ACA subsidies, though he also echoed the conservative claim that *“billions and billions”* of dollars are being wasted. The situation today is reminiscent of William Butler Yeats’ famous poem *The Second Coming* (1919),

*“Turning and turning in the widening gyre
The falcon cannot hear the falconer;
Things fall apart; the centre cannot hold;
Mere anarchy is loosed upon the world,
The blood-dimmed tide is loosed, and everywhere
The ceremony of innocence is drowned;
The best lack all conviction, while the worst
Are full of passionate intensity.”*

Definitional and Conceptual Issues - How and Why?

An examination of the U.S. government shutdown is fraught with conceptual and practical complexities. The term itself has been variously interpreted, reflecting the semantic challenges and differing connotations it carries. Therefore, it becomes essential to develop a workable definition of a government shutdown—one that accommodates both continuity and change in its evolving meaning without being rigid or dogmatic.

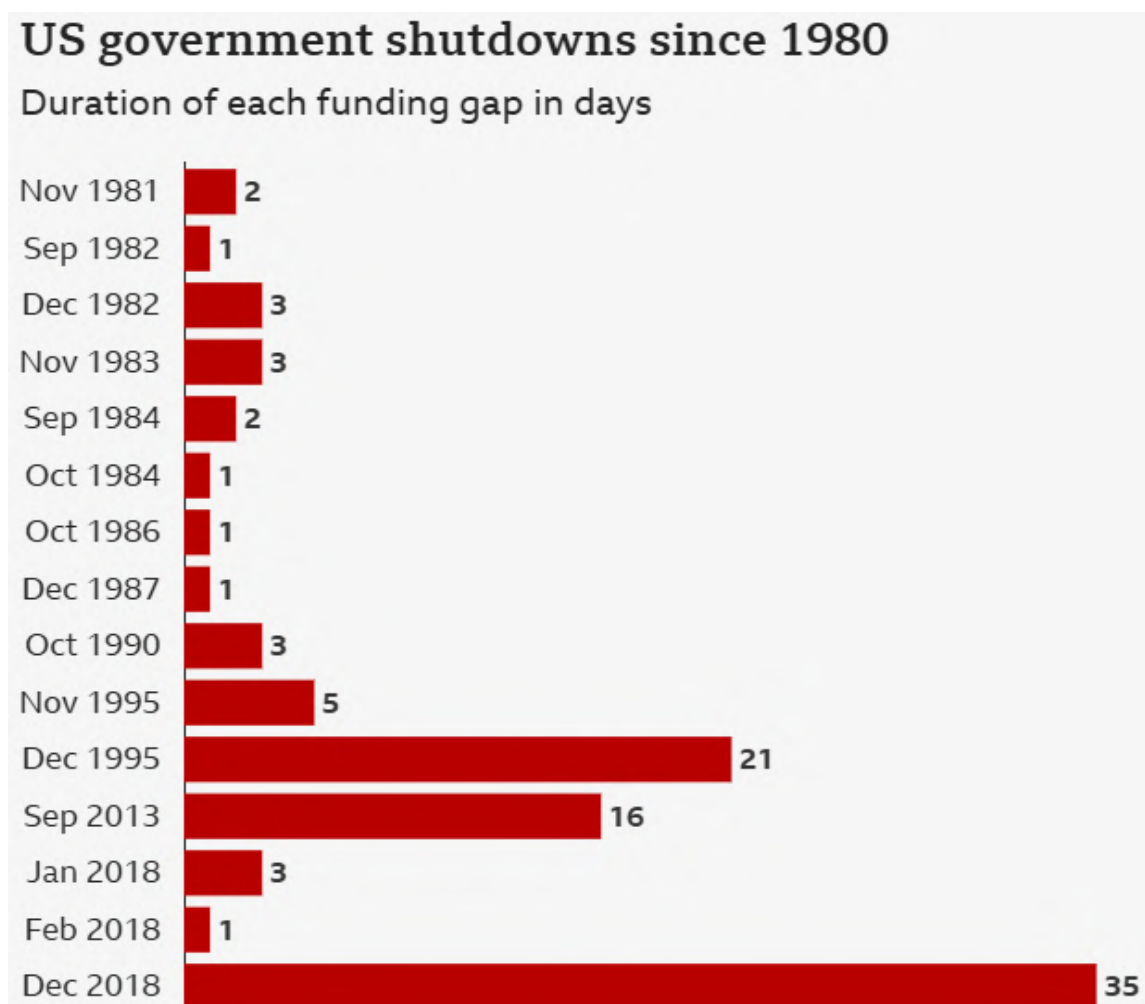
Under the Antideficiency Act (originally enacted in 1884 and amended in 1950), federal agencies are prohibited from spending or committing funds without prior authorization or appropriation from Congress. When Congress fails to pass the twelve annual appropriation bills, federal agencies must suspend all non-essential operations until

funding is restored—this constitutes a government shutdown. Conversely, if Congress approves only some of the twelve bills, only the agencies lacking appropriations are required to halt operations, resulting in a partial shutdown.

Given the intractable position on both sides, let us examine the impact and implications of a U.S. government shutdown.

Semantics of Growth - Short-Term Macroeconomic Impact

A U.S. government shutdown exerts immediate and widespread pressure on the domestic economy, particularly in its short-term effects. While this would mark the 15th federal shutdown since 1981, the current situation is uniquely troubling due to the almost conspicuous absence of substantive negotiations in Congress.



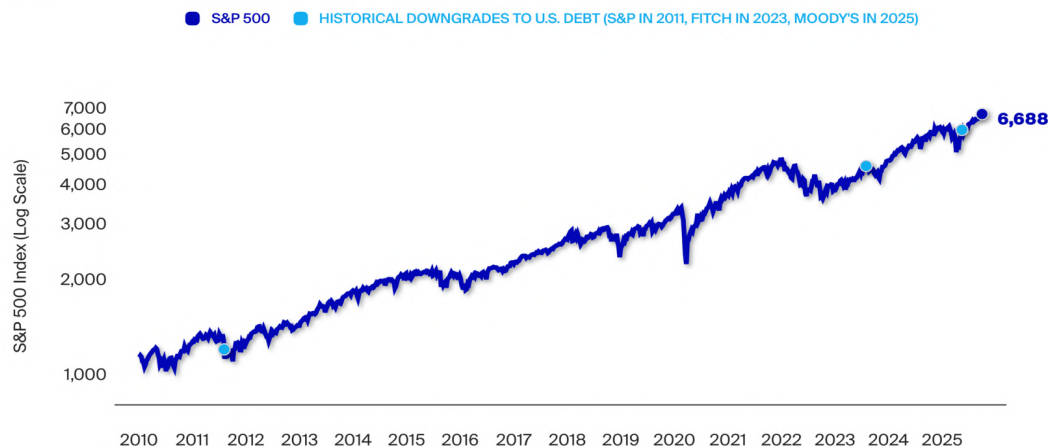
Source: Congressional Research Service

Deep partisan polarization, a grinding shutdown, entrenched gridlock, and rising tempers heighten the risk of a prolonged stalemate, amplifying the economic damage. In the initial phase of a shutdown, roughly 750,000 federal employees are either furloughed or compelled to work without pay, leading to a sharp decline in household income and consumer spending — estimated to fall by nearly \$400 million each day. This contraction exerts a clear and measurable drag on Gross Domestic Product (GDP). As the crisis deepens, the stakes grow ever higher, making the need for an amicable resolution both urgent and elusive.

Putting U.S. Credit Downgrades in Context

S&P 500 Price With Dots for Historical Downgrades to the U.S. Debt (S&P in 2011, Fitch in 2023, Moody's in 2025)

Since 2010



Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2025-09-30

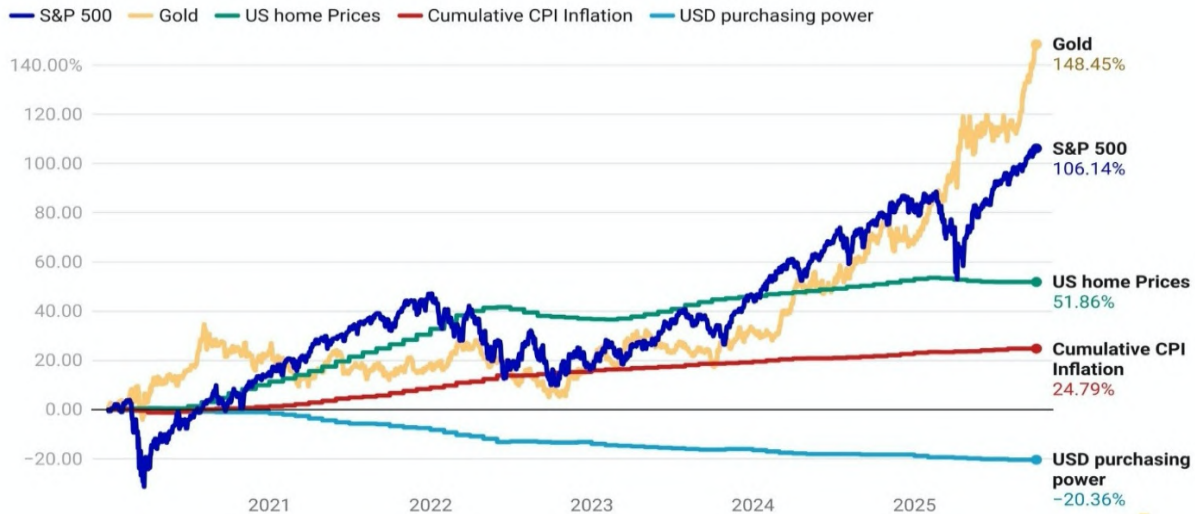
This slide is for informational and illustrative purposes only. The data provided is believed to be accurate, but there is no guarantee of its accuracy, completeness, or timeliness. This is not a recommendation or offer of any financial product. Past performance is not indicative of future results, and investors should consider their own objectives and risk tolerance. Indices, if presented, do not include fees, are unmanaged, and not available for direct investment. Definitions & Methodology: The S&P 500 tracks the performance of 500 large-cap U.S. companies, serving as a benchmark for the U.S. stock market. The index is weighted by market capitalization. The chart displays the S&P 500 price since 2010 with dots for previous downgrades to the U.S. debt by S&P (in 2011), Fitch (in 2023), and Moody's (in 2025). This chart illustrates that these downgrades historically have not disrupted the S&P 500's long-term price trend.



The freeze in federal operations leads to delays in grants, contracts, and procurement activities, which cascades into local governments and private sector vendors dependent on federal funding. The shock is particularly concentrated in sectors like healthcare, education, environmental protection, infrastructure maintenance, and retirement services. Should the shutdown last beyond several weeks, economists project losses of 0.1% to 0.3% of GDP per week, potentially amounting to billions in reduced quarterly output. New concerns on the government shutdown and old worries about currency debasement and fiscal deficits have pushed the “*debasement trade*” to the center stage.

The Debasement Trade: Soaring asset prices, falling purchasing power

Since 2020, the US dollar has collapsed while stocks, home prices, hard assets and inflation have soared to record levels. Bitcoin meanwhile has gained over 1,600% in this period – too much to include in this chart.



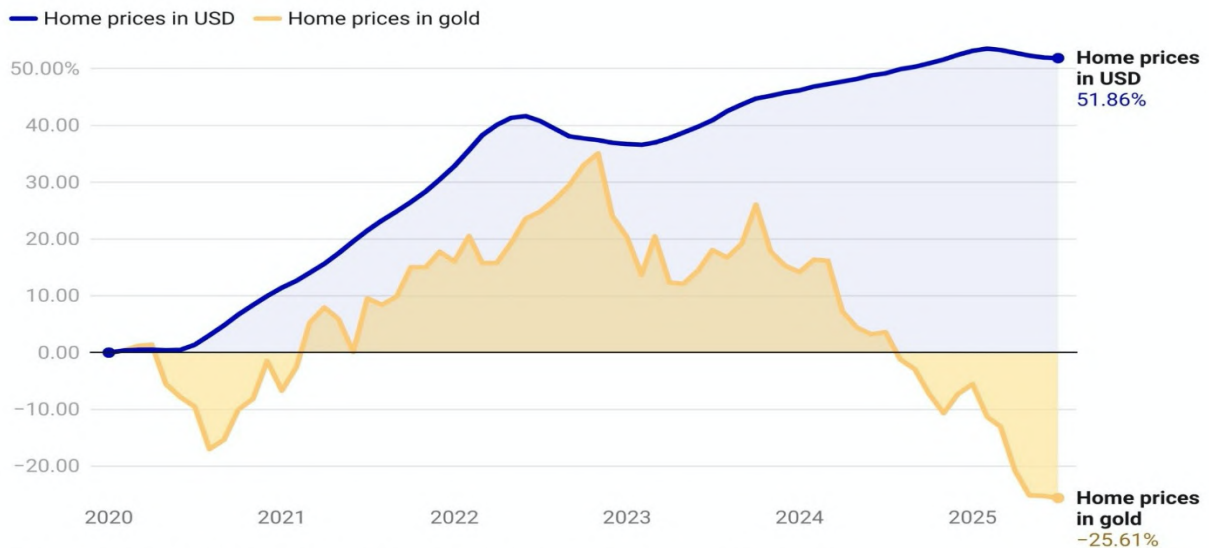
Data tracked from January 2020 to October 2025

Chart: Phil Rosen • Source: FRED, Bloomberg • Created with Datawrapper

**OPENING BELL
DAILY**

US home prices are down 25% in gold terms since 2020

Since 2020, the Case-Shiller Home Price index has appreciated more than 50% in US dollar terms but dropped more than 25% in gold terms.



Tracking S&P CoreLogic Case-Shiller 20-City Composite Home Price Index, SPDR Gold Trust

Chart: Phil Rosen • Source: FRED, WSJ • Created with Datawrapper

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DAILY**

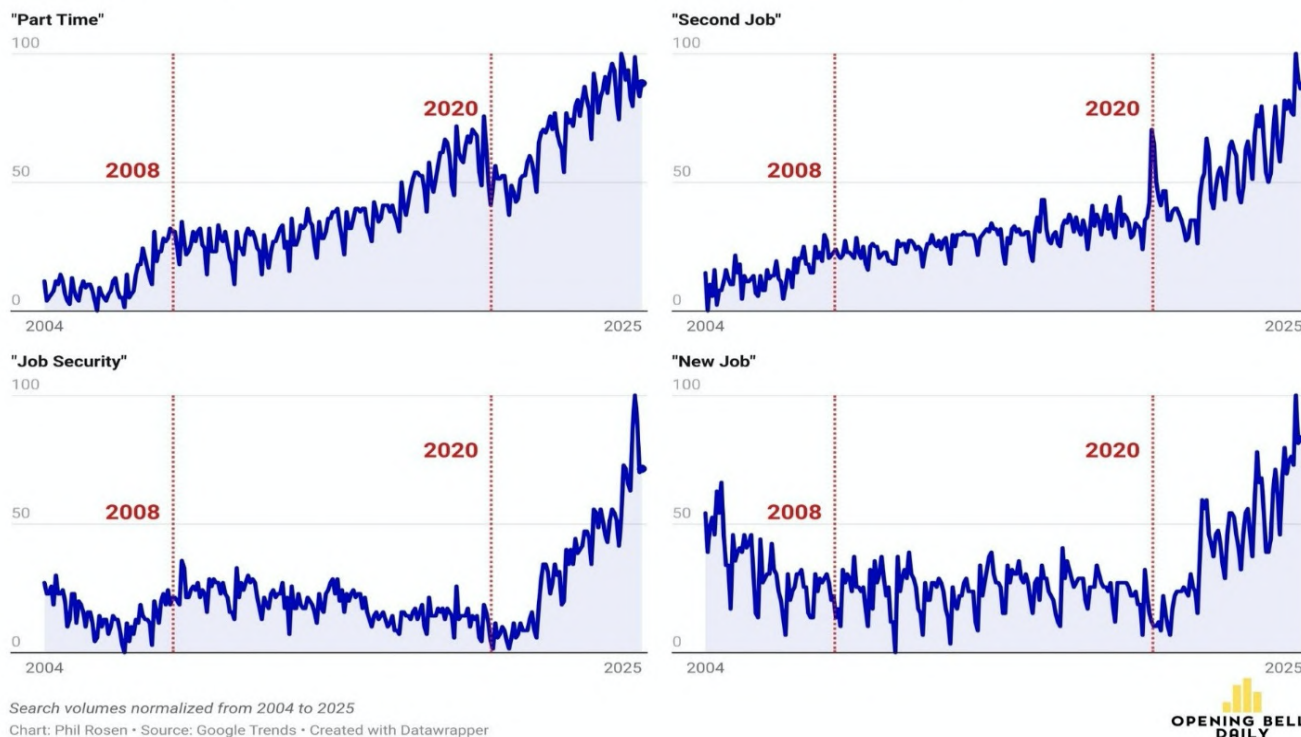
Phonology of Transition - Employment Disruption and Sectoral Fallout

The most visible labor market shock is borne by the 2+ million civilian federal workers, many of whom face furloughs or paycheck delays. However, the ripple effects extend well beyond direct government payrolls, causing project stoppage, cash flow problems, or layoffs. Defense, construction, IT services, and consulting firms that rely on federal contracts may face project halts, cash flow disruptions, and eventual layoffs.

The charts below illustrate two decades of search volume for the terms “*part-time*,” “*second job*,” “*job security*,” and “*new job*.”

Google Search trends show a deteriorating labor market and strained job security

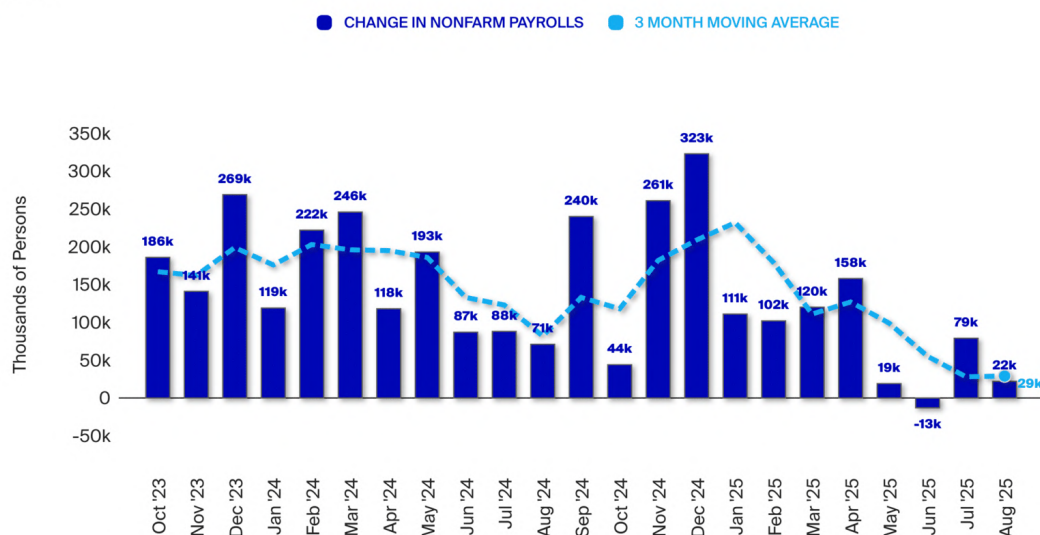
Search volume for the terms “part time,” “second job,” “job security,” and “new job” hover near record highs as workers juggle priorities, wages and a challenging career outlook.



A look at monthly job growth

Monthly Change in Nonfarm Payrolls with 3-Month Moving Average

Past 2 Years



Source: © Exhibit A, U.S. Bureau of Labor Statistics via FRED | Latest: 2025-08-01

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Federally Funded Industries, e.g., healthcare (especially veterans' services and Medicaid administration), education programs, transportation infrastructure, and national security operations face operational risks. Tourism hotspots will take a hit with locations dependent on access to federal properties such as national parks, monuments, and museums typically experience steep declines in visitor traffic, damaging local hospitality and retail businesses. Small businesses near government offices will face sudden revenue losses, hiring freezes, and cutbacks in operating hours when their customer base is heavily composed of federal workers or agencies.

Daily Life Disruption Lexicon of Change

For everyday Americans, the practical consequences of a government shutdown are both visible and deeply inconvenient. Vital administrative processes such as passport and visa processing, FHA mortgage approvals, and small business loan disbursements are slowed or suspended altogether.

National parks, monuments, and museums often close or run with minimal staffing, affecting tourism and local economies.

Social Program Gaps are imminent. While entitlement programs like Social Security and Medicare remain funded, assistance programs such as WIC, SNAP, and public housing support may face interruptions or administrative backlogs. Travel bottlenecks will lead to reduced staffing from unpaid TSA agents, and air traffic controllers can cause flight delays and security congestion.

Financial Strain will be exacerbated for households. Families reliant on federal paychecks frequently postpone paying bills or cut spending, deepening localized economic contractions.

Implications for Wall Street and Investor Confidence

Financial markets historically respond negatively to shutdowns, viewing them as indicators of governmental dysfunction. Historically, shutdowns have caused dips in U.S. stock futures, a weakening of the dollar, and a flight to safe-haven assets like gold and U.S. Treasuries. Recovery patterns reveal that markets often rebound after reopening, but prolonged shutdowns can erode investor confidence, especially if they overlap with debt-ceiling debates or fiscal uncertainty. Extended political stalemates may heighten U.S. sovereign credit risk, elevate bond volatility, and increase borrowing costs for the federal government, thereby causing systemic risks.

Global Ramifications

Given the central role of the U.S. in global growth, prolonged shutdowns can reverberate internationally, depressing investor sentiment, disrupting trade, and raising fiscal stability concerns. Global equities, particularly in emerging markets, are sensitive to signs of U.S. instability. Export and import flows may slow if agencies like Customs and Border Protection face operational backlogs. A shutdown coinciding with debt ceiling brinkmanship could raise doubts about U.S. fiscal credibility, potentially triggering broader financial market volatility.

Mitigation Strategies Across the Development Spectrum Government Action

To be sure, the current crisis did not emerge without warning. However, years of deep political polarization and a steadily deteriorating budget process have made fiscal standoffs increasingly common. As their effects begin to spill over into the broader economy, an urgent, coordinated policy response is essential.

In the immediate term, short-term funding measures, such as continuing resolutions, should be enacted to keep essential government functions running while budget negotiations continue. Safeguarding critical services like the TSA, military operations, and vital social safety programs under emergency provisions is imperative. Furthermore, Retroactive Pay Legislation, ensuring back pay for furloughed employees as in previous shutdowns, remains crucial to limiting financial hardship.

Business Strategies

Interim financial support by way of temporary financial relief, such as flexible loan repayment terms, to employees or clients impacted, is necessary. Revenue diversification requires reduced dependency on federal contracts to strengthen resilience in the face of political instability. There must be an accent on Policy Advocacy by engaging policymakers, including industry associations and business leaders, for more predictable, responsible fiscal governance.

The Way Ahead: The Discourse of Development

Let us face the facts squarely. The ominous warning signs of a self-inflicted crisis have been evident for months, starkly manifested in political fragmentation, fractured Congress, repeated failures to pass timely appropriations bills, deteriorating legislative cooperation, and an increasingly toxic political climate. Rather than offering vague foreign policy promises or lofty geopolitical ambitions, political leadership, particularly from figures like former President Trump, should launch a direct assault on domestic fiscal dysfunction.

As the saying goes, charity begins at home. Unlike the immutable laws of thermodynamics, the dynamics of a government shutdown remain in perpetual flux, marked by shifting alliances, evolving priorities, and recurring uncertainty.

Yet, it requires no foresight to recognize that the foremost imperative is to stabilize federal operations, restore fiscal discipline, and protect the U.S. economy from politically engineered crises. The livelihoods of millions of American families and the stability of the global economy depend on it. But will it happen? We watch warily.

Note: An earlier version of this article was published in CS Conversations.