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# The shutdown's long shadow

The damaging impact of the current government shutdown on entrepreneurship will far-outlast its record-setting duration.

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*Entrepreneurship is threatened when the government stops governing.* 

Entrepreneurship is threatened – for a variety of reasons – when the government stops governing.

It's not just that the government spends roughly **\$500 billion a year on private contracts**. Or that the Small Business Association (SBA) and other federally funded programs designed to help entrepreneurs are closed. It's that the effects on these businesses will far outlast the 27 days – and counting – of the current government shutdown.

"The reality of it is the majority of small business owners are not able to withstand a three-week loss of revenue," said Tom Sullivan, vice president of small business policy at the U.S. Chamber of Commerce.

Let alone more.

During the 16-day government shutdown of 2013, small business contracts with the Department of Defense **dropped by almost one-third during the shutdown**, and spending dropped 40 percent; almost \$4 billion in tax refunds were delayed, the annualized GDP rate is estimated to have **dropped 0.25 percent**, and about **120,000 private sector jobs were lost**.

"We've been trying to keep them calm," said **Ami Kassar**, founder and CEO of MultiFunding and author of *The Growth Dilemma*. "We can't, with any honesty, tell them when it is going to be over. There is no indication of what tomorrow is going to bring."

## SURVEY SAYS...

Before the shutdown, **Kauffman conducted a survey** just after the

An expert on access to capital for entrepreneurs, Kassir said those counting on SBA loans are stuck. "Hires can't happen, investments can't happen. Everything is slowed down."

Beyond SBA loans, Kassir said entrepreneurs, especially those in underserved populations, who might not have access to family resources, business mentorship, or who had been accessing support through SBA Small Business Development Centers, might turn to unstable loans or make risky short-term decisions with negative long-term effects.

The simple fact is, while this partial government shutdown reduces access to the [SBA 7\(a\) loan program](#) at the tune of approximately \$90 million a day, that funding is accessed by only a small percentage of America's dreamers, makers and doers. The majority of business owners also [don't have emergency funds](#), lines of credit, or family and friends to turn to for gifts or loans.

Entrepreneurs – especially those made vulnerable by halted government operations – rely on contracts to be carried out, customers in order to make monthly sales goals, and processes to go through – like immigration paperwork to hire the talent they need, [product labeling approval](#), or the IRS to get early refunds.

But what they have is the longest government shutdown in American history, and absolute economic uncertainty.

"There's a confidence that goes beyond the stock market and beyond whether it's sunny or cloudy," said Sullivan. "It gets at the overall feeling of, 'Is the United States' wind at my back or is it in my face?' And when D.C. can't govern, you start to feel that wind in your face."

While it may be too early to quantify how this shutdown will affect business starts or economic growth (though [White House economists recently doubled projections of lost economic growth](#)), Sullivan expects it will only exacerbate entrepreneurs' feelings that the current administration and Congress doesn't care enough about businesses like theirs.

"Small businesses are hugely confident in their local and state business environment. That has borne out consistently in the last 2 years," Sullivan said. "This situation of government not being able to govern, we expect, will show a downturn in the confidence nationally."

midterm election that showed that just more than half of entrepreneurs felt Donald Trump had done a good job for small businesses. It also showed that while 75 percent of entrepreneurs were satisfied with the outcome of the midterms, the vast majority of entrepreneurs (84 percent) don't believe they are represented "very well" by Congress.

[Survey results >](#)

*Lauren Aleshire, senior content marketing specialist, and Valerie Hellinghausen, Public Affairs fellow, contributed to this story.*

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