
The Shutdown Stabilizer

Ending Involuntary Credit During
Government Shutdowns



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Policy Brief

This brief proposes a narrowly scoped institutional mechanism to address payroll discontinuity for essential federal workers during government shutdowns.

Executive Summary

Government shutdowns require many essential federal employees to continue working even as their pay is delayed, effectively forcing them to extend short-term credit to the federal government during periods of political budget conflict.

This paper proposes a **Shutdown Stabilizer** — a narrowly scoped continuity mechanism that preserves payroll continuity for essential workers during funding lapses while maintaining the existing budget process.

The stabilizer would operate through a limited Treasury payroll authority, allowing pay to continue during shutdowns and reconciling those payments automatically once appropriations are restored.

The fiscal scale of such a mechanism is modest, with an estimated reserve requirement of approximately \$10–15 billion — a small fraction of the federal budget.

By aligning payroll continuity with operational continuity, the Shutdown Stabilizer addresses a clear design gap in the federal shutdown framework without altering the underlying political dynamics that produce funding lapses.

Problem Statement

Government shutdowns create a structural mismatch within the federal workforce: essential employees are legally required to continue working even as their pay is delayed until appropriations are restored. This arrangement effectively forces hundreds of thousands of workers to extend short-term credit to the federal government during political budget conflicts.

The federal shutdown framework contains no institutional mechanism designed to prevent this liquidity shock. As shutdowns have become recurring events in modern budgeting politics, the absence of a payroll continuity stabilizer represents a clear design gap in the federal operating system.

A government shutdown is typically described as a political impasse between Congress and the executive branch. In practice, it also creates a financing failure within the federal workforce.

During shutdowns, hundreds of thousands of federal employees are furloughed while many others — classified as essential — are legally required to continue performing their duties. These workers maintain airport security, guard prisons, protect federal facilities, manage border operations, and sustain the basic functioning of the state.

Yet during funding lapses, these same workers may be denied timely pay for the work they are required to perform.

The government continues consuming labor while delaying compensation.

Yet under the current shutdown framework, the federal government maintains continuity of operations by temporarily suspending continuity of pay.

During a shutdown, **essential federal workers effectively become involuntary creditors of the United States government.**

The federal government resolves political funding disputes by temporarily shifting liquidity pressure onto the workers required to maintain public operations.

This paper argues that this arrangement represents a structural design failure in the shutdown framework. Modern institutions routinely build stabilizers to preserve operational continuity during disruptions. Financial systems maintain liquidity facilities. Infrastructure networks maintain redundancy. Insurance systems distribute risk across time.

The federal shutdown system contains no equivalent stabilizer for essential workers.

To address this gap, the paper proposes a simple institutional mechanism: a **Shutdown Stabilizer** — a standing continuity system that maintains payroll continuity for essential federal workers during funding lapses and reconciles those payments once appropriations are restored.

Scope of the Proposal

This paper does not attempt to eliminate government shutdowns or alter the constitutional budget process that produces them.

Instead, it addresses a narrower institutional design failure: the absence of a payroll continuity mechanism for essential federal workers who are legally required to continue performing duties during a lapse in appropriations.

The proposed Shutdown Stabilizer preserves payroll continuity for these workers while allowing the underlying political dispute over federal funding to proceed unchanged.

I. Essential Work Without Pay

A shutdown does not distribute disruption evenly.

When funding lapses occur, the federal workforce is divided into categories. Some employees are furloughed. Others are classified as essential and required to continue working.

For those essential workers, income risk is immediate.

Bills do not pause when the federal budget process stalls. Rent is still due. Utilities still draft. Credit cards still accrue interest. Auto loans still process. Childcare still costs money. Household financial systems continue operating on schedule even when the federal payroll system does not.

For households living close to the margin, a delayed payroll can trigger overdraft fees, missed payments, penalty interest, and cascading financial stress.

The shutdown system preserves operational continuity by shifting the liquidity shock downward onto workers and families.

Essential workers are not voluntarily lending money to the government. They are not negotiating counterparties in a financial transaction.

They are compelled to continue performing their duties while compensation is delayed by political conflict they neither caused nor control.

II. Shutdown History

Government shutdowns are not rare anomalies. They are recurring features of the modern federal budgeting process.

Prior to 1980, funding gaps did not always halt federal operations. Agencies often continued functioning while Congress resolved temporary appropriations disputes. This changed after legal interpretations in 1980 and 1981 that more strictly applied the Anti-Deficiency Act, requiring agencies to suspend non-essential operations when appropriations lapse.[1]

Since then, the United States has experienced multiple shutdowns across several decades, including major episodes in 1980, 1981, 1984, 1986, 1990, twice in 1995–1996, in 2013, in January 2018, in December 2018–January 2019, and in 2025.[2]

The 2013 shutdown lasted 16 days and led to approximately 800,000 federal workers being furloughed, while more than one million employees were designated as excepted or otherwise required to continue operations without immediate pay certainty.[3]

The December 2018–January 2019 shutdown lasted 35 days and affected roughly 800,000 federal workers overall. Approximately 380,000 were furloughed while roughly 420,000 essential employees were required to continue working without timely pay.

The 2025 shutdown surpassed that episode, lasting roughly six weeks and becoming the longest shutdown in United States history.[4]

During the 2025 government shutdown, hundreds of thousands of federal employees were furloughed while many essential workers were required to continue performing their duties without pay.[4]

The 2025 shutdown reduced both total supply and total demand, although CRS concluded that its long-term macroeconomic effects were likely to be modest.[4]

Shutdowns are therefore not theoretical events. They are recurring disruptions affecting hundreds of thousands of workers and major segments of the national economy.

Figure 1 — Major Government Shutdowns

Year	Duration	Notes
1980–1981	Short funding gaps	Early shutdown framework begins
1995–1996	5 days + 21 days	First modern high-stakes shutdown conflict
2013	16 days	~800,000 workers furloughed
Jan 2018	3 days	Short lapse affecting federal operations
2018–2019	35 days	Longest shutdown at the time
2025	43 days	Longest shutdown in U.S. history

Shutdowns are recurring disruptions affecting hundreds of thousands of workers and significant portions of the national economy.

The Congressional Budget Office estimated that the 2018–2019 shutdown reduced U.S. GDP by approximately \$11 billion, with roughly \$3 billion of that loss permanently unrecovered.[5]

When a system faces a predictable failure mode, responsible design introduces stabilizers that preserve continuity while disruptions are resolved.

III. The Shutdown Liquidity Failure

Modern institutions routinely include mechanisms designed to absorb operational shocks.

Banks maintain liquidity facilities to prevent cascading financial failures. Insurance systems distribute risk across time and across participants. Electric grids maintain redundancy and reserve margins to preserve service continuity when parts of the system fail.

These stabilizers exist because disruptions are inevitable.

Government shutdowns represent a predictable disruption in federal operations.

Yet the shutdown process contains no equivalent liquidity stabilizer for the workers required to maintain essential services.

Instead, the system assumes continuity of labor without continuity of pay.

This is not resilience. It is externalization.

The shutdown system functions only because essential workers absorb the financial shock personally.

Figure 2 — Current Shutdown System vs. Shutdown Stabilizer

Current System

Congress funding lapse
↓
Essential workers required to work
↓
Payroll delayed
↓
Households absorb liquidity shock

Stabilizer System

Congress funding lapse
↓
Shutdown Stabilizer activates
↓
Workers continue receiving normal pay
↓
Government reconciles funding after appropriations restored

IV. The Shutdown Stabilizer

The Shutdown Stabilizer is a standing institutional mechanism designed to preserve payroll continuity for essential federal workers during funding lapses.

Rather than forcing workers to absorb the shutdown's liquidity shock, the stabilizer would maintain normal payroll until appropriations are restored.

The mechanism operates according to three principles.

Automatic Activation

The stabilizer activates automatically when a lapse in appropriations triggers a shutdown.

Income Continuity

Workers legally required to continue performing essential duties continue receiving normal pay on schedule.

Post-Shutdown Reconciliation

Once appropriations are restored, the funds used to maintain payroll continuity are replenished through predefined budget mechanisms.

V. Mechanism Design

Several institutional structures could implement a shutdown stabilizer.

Shutdown Continuity Fund

A dedicated reserve fund capitalized in advance that is automatically drawn upon to cover payroll obligations during shutdowns.

Treasury Payroll Advance Authority

A narrowly defined authority allowing Treasury to continue issuing payroll to essential workers during a lapse in appropriations.

Continuity Credit Facility

A temporary liquidity facility designed to maintain federal payroll continuity until appropriations are restored.

VI. Primary Implementation Pathway

While several institutional structures could support a shutdown stabilizer, the most direct implementation pathway is a limited Treasury payroll continuity authority.

Under this approach, Congress would authorize the Treasury Department to continue issuing payroll to essential federal employees during a lapse in appropriations. This authority would be narrowly scoped to workers legally required to continue performing duties under shutdown conditions.

Payments issued during the shutdown period would be treated as temporary advances against future appropriations rather than new discretionary spending.

This structure leverages existing federal payroll systems and minimizes administrative complexity while preserving the underlying budget process. It functions as a continuity mechanism rather than a permanent expansion of federal expenditures.

VII. Funding and Reconciliation

Payroll issued under the Shutdown Stabilizer would be reconciled automatically once appropriations are restored.

In practice, funds disbursed during a shutdown would be accounted for as obligations against the subsequent appropriations bill covering the affected agencies. This mirrors existing federal practices for resolving temporary funding gaps and back pay obligations following shutdowns.

Because essential workers are already legally entitled to compensation for work performed during shutdown periods, the stabilizer does not introduce new long-term fiscal obligations. Instead, it shifts the timing of payment forward, eliminating the need for workers to absorb short-term liquidity shocks.

From a budgetary perspective, the Shutdown Stabilizer functions as a timing adjustment rather than an expansion of federal spending.

VIII. Rough Funding Scale

The fiscal scale of a shutdown stabilizer is modest relative to the size of the federal budget.

If roughly one million essential federal workers require payroll continuity and the average monthly compensation across those workers is approximately \$6,000, the total monthly payroll exposure during a shutdown would be roughly \$6 billion.[6]

This estimate is illustrative but consistent with federal workforce and compensation data.

Even a multi-month shutdown would therefore require a continuity reserve in the range of **\$10–15 billion**.

Against a federal budget exceeding **\$6 trillion annually**, such a reserve represents a tiny fraction of federal spending while dramatically reducing financial strain on essential workers.

Figure 3 — Fiscal Scale of the Shutdown Stabilizer

Category	Approximate Scale
Annual Federal Budget	~\$6 trillion
Monthly Essential Payroll Exposure	~\$6 billion
Estimated Stabilizer Reserve	~\$10–15 billion

Even a reserve sufficient to cover a multi-month shutdown would represent a very small fraction of total federal spending.

IX. Implementation Considerations

The Shutdown Stabilizer could be implemented through several legislative or administrative pathways. The specific mechanism is less important than the governing principle: workers required to maintain federal operations should not be forced to absorb the financial shock created by funding lapses.

Possible approaches include establishing a dedicated Shutdown Continuity Fund, granting Treasury temporary authority to maintain payroll continuity during funding lapses, or implementing a short-term payroll credit facility automatically reconciled once appropriations are restored.

The key design principle remains straightforward: operational continuity should be matched by payroll continuity.

X. Shutdown Stabilizers and Automatic Stabilizers

In macroeconomic policy, many programs function as **automatic stabilizers** — mechanisms that activate without new legislation to reduce the severity of economic shocks.

Programs such as unemployment insurance and progressive taxation automatically expand during downturns, helping stabilize household income and consumption until economic conditions improve.

The Shutdown Stabilizer follows the same institutional logic. Rather than requiring workers to absorb the financial shock created by a lapse in appropriations, the stabilizer would automatically preserve income continuity for essential federal workers until the underlying political dispute is resolved.

In this sense, the Shutdown Stabilizer can be understood as a **targeted operational stabilizer** within the federal workforce.

XI. Conclusion

Government shutdowns are often treated as political events. In practice, they also create a recurring operational failure within the federal workforce.

Essential federal employees are required to maintain continuity of government services, yet the current shutdown framework does not guarantee continuity of pay. This mismatch forces workers to absorb short-term liquidity shocks created by funding lapses, effectively requiring them to finance government operations during periods of political impasse.

The Shutdown Stabilizer offers a narrow and practical correction. By preserving payroll continuity through a limited Treasury authority and reconciling payments once appropriations are restored, the stabilizer aligns compensation with the work that is already being performed.

The fiscal scale of such a mechanism is modest, and its design leverages existing systems while avoiding changes to the underlying budget process. It functions as a continuity tool, not a policy expansion.

When disruptions are predictable, responsible systems incorporate stabilizers that preserve continuity while allowing underlying conflicts to be resolved. Government shutdowns are a predictable feature of modern budgeting politics.

A federal system that depends on continued labor cannot rely on delayed compensation as a hidden buffer.

When the state compels continuity of labor, it must guarantee continuity of pay.

References

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