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# S.&P. Downgrade Is Seen as Adding Urgency to Debt-Cutting Panel

By ROBERT PEAR

WASHINGTON — The downgrade of the United States government's credit rating by Standard & Poor's is almost sure to increase pressure on a new Congressional "supercommittee" to mute ideological disagreements and recommend a package of deficit-reduction measures far exceeding its original goal of at least \$1.5 trillion, lawmakers said Sunday.

Even before the panel is appointed, its mission is expanding. Its role is not just to cut the annual budget deficit and slow the explosive growth of federal debt but also to appease the markets and help restore the United States' top credit rating of AAA. Otherwise, taxpayers may eventually have to pay more in interest for every dollar borrowed by the Treasury.

The report certainly got the attention of Capitol Hill. "I think this is one of the most telling, important moments in our country's history right now," Senator John Kerry, Democrat of Massachusetts, said Sunday on the NBC program "Meet the Press." He added: "This poses a set of choices not just about a [recession](#). It's about a financial crisis and the structure of our economy, which really has been misallocating capital."

In the S.&P. report on Friday outlining the reasons for removing long-term Treasury debt from its list

of nearly risk-free investments, the company cited doubts about the ability of the two political parties to bridge their gulf on fiscal policy.

Credit rating agencies have thus emerged as a powerful constituency whose concerns are taken seriously by Congress.

Representative Joe Courtney, Democrat of Connecticut, said he had “read and reread the S. & P. report” several times since it was issued Friday night, and he said it could spur action by Congress. If the 12 members of the committee, to be appointed by Aug. 16 by Congressional leaders of the two parties, could agree on a deficit-reduction package, and if Congress approved it, Mr. Courtney said, “that would surprise a lot of skeptics” and could disprove the company’s criticism of the United States political system.

Representative Blake Farenthold, a freshman Republican from Texas, said the S.&P. report could have a beneficial effect. “Anything that encourages the [new committee](#) to get the job done and get us back on a rational fiscal path is a good thing,” Mr. Farenthold said.

Another freshman Republican, Representative Steve Southerland II of Florida, said the credit report created “a sense of urgency for the two parties to come together.” The possibility of a further downgrade “scares me,” Mr. Southerland said.

The stated goal of the new panel, the Joint Select Committee on Deficit Reduction, is to cut [federal budget](#) deficits by a total of “at least \$1.5 trillion” over the next decade.

The first round of savings under the new law, coming from annual caps on appropriations, is estimated at \$917 billion over 10 years. Standard & Poor’s had said it was hoping to see \$4 trillion in total deficit reduction. If the joint committee wanted to reach that goal, it might seek a bigger, more comprehensive deal, aiming to save \$3 trillion rather than \$1.5 trillion over 10 years.

If Congress wants to satisfy the rating agencies — Moody’s and Fitch have so far kept their AAA ratings of government debt — it will need to lock in substantial deficit-reduction measures, without using the

kind of budgetary gimmicks that sometimes appear to produce savings under accounting rules prescribed by Congress, several lawmakers said.

Senator John McCain, Republican of Arizona, said Sunday on "Meet the Press" that the credit downgrade created an "added incentive" for the new committee and Congress as a whole to agree on major deficit-reduction plans.

On the other hand, opposition to proposals from the committee, due by Nov. 23, could increase with the size of the package. And a bigger joint committee bill might make the alternative — automatic across-the-board cuts saving \$1.2 trillion over 10 years — appear more attractive, lawmakers said.

Democrats like the Senate majority leader, Harry Reid of Nevada, cited the downgrade as another reason to include revenue-raising measures in a package. Republicans like Speaker John A. Boehner of Ohio said the downgrade strengthened the case for deeper cuts in spending.

Before their talks broke down last month, President Obama and Mr. Boehner were pursuing a "grand bargain" that sought savings of \$4 trillion over a decade.

Senator Kerry also endorsed that goal. The United States must show the markets that it is "deadly serious about dealing with its long-term structural debt," he said, and the way to do that is by "putting a plan on the table, \$4 trillion plus, if necessary."

Republicans have historically seen the deficit as an issue that plays to their political advantage. Deficit-reduction proposals floated by Mr. Obama as part of a grand bargain set him against many of his liberal supporters.

Congressional Democrats, lobbyists for older Americans and advocates for the poor expressed alarm last month when Mr. Obama showed serious interest in proposals to reduce the cost-of-living adjustment for **Social Security** benefits, increase the eligibility age for **Medicare** and cut **Medicaid** payments to the states for treating poor people.

The new panel will have 14 weeks to do its work. Republicans have made clear that they will push for cuts in federal spending under the new health care law, arguing that it should be on the table along with other government programs and tax breaks. The Congressional Budget Office says the law will cover 34 million uninsured people by expanding Medicaid and subsidizing private insurance at a cost of \$1.1 trillion over 10 years.

On “Fox News Sunday,” Representative Paul D. Ryan, Republican of Wisconsin and chairman of the House Budget Committee, said the new panel would probably not “achieve a full fix to our problems because Democrats have never wanted to put their health care bill on the table.”

S.&P. did not advocate a specific mix of increased revenue and spending cuts. But it did say that overhauling entitlement programs was “key to long-term fiscal sustainability” and that the debt deal “envisions only minor policy changes on Medicare.”



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