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**CRFB Reacts to S&P Downgrade
August 6, 2011**

Yesterday, Standard & Poor's (S&P) announced that it has lowered the long-term credit rating of the United States from AAA to AA+, which is the first such downgrade in American history. According to S&P, the downgrade resulted from the fact that the recent debt deal fell well short of stabilizing the debt and brought into question the capacity of the political system to agree to further needed deficit reduction.

"This is a heck of a wake up call," said Maya MacGuineas, President of the Committee for a Responsible Federal Budget. "It's like when your alarm clock goes off too loud, and you can't find the button to turn it off. We have been ignoring the slew of warnings from the major rating agencies and others from the IMF to the Fed, for way too long while failing to seriously address our debt challenges. Now we have this fiscal scarlet letter until we make the needed reforms to get our debt under control."

In explaining the downgrade, S&P notes that policymakers appear unwilling to consider any new revenues or any significant changes to entitlements, stating that "elected officials remain wary of tackling the structural issues required to effectively address the rising U.S. public debt burden." According to their projections, the debt of peer AAA countries will be on a declining path by mid-decade while the United States' debt will continue to grow.

"We need at least a \$4 trillion deficit reduction plan—probably more, and the recent legislation only gets us a fraction of the way there," said MacGuineas. "Now is the time to pivot, we are going to have to find a way to "go big"."

"Between now and December policymakers will either be involved in a serious national discussion over how to bring our debt under control or else another round of theater and brinkmanship," said MacGuineas. "We still have a real opportunity to enact serious entitlement changes, tax reform, and an economic growth strategy. But if we fail, I fear other rating agencies will follow suit with S&P, with economically dangerous consequences."

