

Businesses fret as Congress flirts with debt default

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deadline, Congress also must renew funding for the government to avoid a shutdown. Lawmakers have 12 work days scheduled in September once they get back after Labor Day, making for a potential nail-biter in the second half of the month.

"We are very concerned," said Anthony Cimino, senior vice president and head of government affairs at the Financial Services Roundtable, which represents financial services companies. While previous rounds of debt-ceiling standoffs have been resolved and disaster avoided right at deadline, "I don't believe we should be taking anything for granted."

"Failure to raise the debt ceiling would be a major unforced error which could have terrible consequences for US financial markets and the economy," said J.D. Foster, senior vice president of the economic policy division and chief economist of the US Chamber of Commerce, the biggest business lobby in town, which has been among the most active pressing the issue with key lawmakers. "The fact is nobody can say with confidence what would happen, but the risk and danger is such that no one can responsibly suggest a justification for not raising the debt ceiling

on a timely basis."

Once a routine vote, raising the debt ceiling has become one of Washington's most politically fraught exercises, a perennial flash point in the ideological government spending and debt wars.

During Barack Obama's White House tenure, conservatives started using the need to raise the spending cap as leverage to press for spending cuts to rein in the country's ever-growing debt. In 2011, the standoff led Standard & Poor's to downgrade the country's credit rating from its coveted AAA status.

Treasury Secretary Steven Mnuchin has pushed Congress to pass a so-called "clean" debt-limit increase, free of other policy changes, and unsuccessfully tried to prod lawmakers to do it before the August recess. But the message has been mixed from elsewhere in the White House: Trump's budget chief, Mick Mulvaney, made comments supporting a debt ceiling increase with riders designed to spur "spending reforms." Earlier this month, he reversed course and said he, too, supports Congress passing "the simplest debt ceiling increase we can get."

But there is reason to worry that the political standoff could be more intense than ever this year, some observers say. Members of the conservative House



J. SCOTT APPLEWHITE/ASSOCIATED PRESS/FILE

Senate majority leader Mitch McConnell, who exchanged criticisms with President Trump last week, said "there is zero chance — no chance — we will not raise the debt ceiling."

Freedom Caucus are making noise about demanding various policy priorities as a condition for voting on an increase. Among those demands are making as much as \$250 billion in spending cuts and including a complicated set of changes that would require Treasury to prioritize spending on debt payments over everything else as the debt ceiling nears, while authorizing the president to sell assets to keep the debt under that limit.

Yet those are unlikely to fly with Democrats, who will very likely be needed to raise the ceiling in the Senate since it will require 60 votes, unless GOP leaders decide to use a complex procedure known as reconciliation.

On top of that, the players are different than in debt ceiling negotiations in the recent past. With a Republican in the White House, Democrats have

less incentive to play nice and get this done. Some Democrats have signaled they want their own policy concessions — such as funding payments to insurance companies that provide plans on the Affordable Care Act's exchanges to cover the

at one another in the press," he added, nodding to the criticisms exchanged last week between McConnell and Trump.

McConnell sparked the intraparty drama when he chided Trump for having "excessive expectations" about how quickly

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CHRIS KRUEGER, a Washington analyst at the Cowen Washington Research Group

costs of deductibles and co-pays for low-income policyholders.

"You are lacking a lot of the so-called adults in the room this time," said Chris Krueger, a Washington analyst at the Cowen Washington Research Group. And in certain cases, "the actors who are on the same team are throwing haymakers

Congress can move legislation, which he credited to Trump's status as a political neophyte. Trump did not take the criticism well: He launched days of Twitter insults at McConnell over his failure to move Trump's agenda, especially repealing the Affordable Care Act.

Trump, in particular, injects

an added element of uncertainty, lobbyists say. He could prove to be an asset in prodding reluctant conservative Republicans to vote to lift the cap. But he also could just as easily shoot off a tweet or off-the-cut comment that undermines deal-making on the Hill, as happened during the health care debate.

Given the stakes and Democrats' past criticism of their GOP colleagues for trying to hold the debt ceiling hostage, Isaac Boltansky, an analyst with Compass Point Research & Trading, figures the debt ceiling will get raised, cleanly, with the help of Democrats in September. But he thinks the odds are pretty good that Congress won't reach a funding deal in time to keep the government from shutting down.

A shutdown carries its own economic consequences: For instance, the 16-day shutdown in 2013 cost the US economy \$24 billion in lost economic output, according to an S&P estimate.

But Boltansky says a shutdown this fall could have an additional "psychological impact" that could, among other things, stall that strong stock market performance Trump enjoys bragging about.

"If Congress can't keep the lights on, how are they going to pass tax reform and infrastructure and all of the other things?" said Boltansky.

On the debt ceiling, some in the business community are more sanguine than others. One financial industry executive said he felt confident that White House economic adviser Gary Cohn, Mnuchin, House Speaker Paul Ryan, and McConnell all understand the stakes and will figure out how to raise the debt ceiling.

"Maybe it gets done later than we would like . . . [but] this gets done," the executive said.

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