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08/06/11 - National Association of Manufacturers (NAM) President and CEO Jay Timmons issued this statement on Standard & Poor's (S&P) decision to strip the U.S. of its AAA rating:
“This downgrade by just one of the three agencies is troubling news for manufacturers because higher interest rates are now on the horizon. Given the weakened state of the economy, higher borrowing costs will have ripple effects throughout the entire economy. Most notably, they will hinder recovery in the housing market, which has a direct impact on manufacturing.

This is an unprecedented move, so the magnitude of the downgrade is somewhat unknown. That said, manufacturers are bracing for a negative impact on many levels. Higher interest rates will likely affect what state and local governments can borrow. These governments invest in infrastructure, and manufacturers build their roads and schools. If borrowing costs go up for these governments, manufacturers may see a slowdown-- this will impact jobs and job creation during a time of historically high unemployment.

The NAM understands the need for improved fiscal responsibility, as urged in this action by S&P, but it must also come with a growth strategy. Manufacturers have long called for policymakers to support our manufacturing strategy that puts forward a pro-growth, pro-competitiveness, pro-manufacturing agenda. We need regulations that are balanced and clear, a tax code that is competitive, and an agenda that fosters job creation.

Manufacturers recognize that some programs are critical to our nation's economic and national security. As rates go up, the cost of interest payments will rise, actually increasing the federal debt. Policymakers need to evaluate every line item in the federal budget. If the expenditure is not directly related to growth, it needs to be seriously reviewed to determine if the program needs to be modified, reduced or eliminated. Too often, Presidents and Congresses have enacted expensive programs that are politically popular, with little or no regard for future economic impact. Now is the time for difficult decisions and priority setting to take place in Washington. We need leadership from our policymakers.”

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