



The Daily Dish

Downgraded

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Downgraded #\$\$%^%\$#!!!!

Usually, it is the administration that drops a bombshell late on a Friday. This past Friday, however, it was Moody's, which issued the [statement](#): "Moody's Ratings (Moody's) has downgraded the Government of United States of America's (US) long-term issuer and senior unsecured ratings to Aa1 from Aaa and changed the outlook to stable from negative." With this downgrade, the Treasury has lost its final triple-A rating, with Moody's joining the downgrades of Fitch Ratings (in 2023) and S&P Global Ratings (in 2011). Moody's statement noted: "Successive U.S. administrations and Congress have failed to agree on measures to reverse the trend of large annual fiscal deficits and growing interest costs."

In typical fashion, the Trump Administration blamed former president Biden, with *The Wall Street Journal* [reporting](#) that a White House spokesman said: "The Trump administration and Republicans are focused on fixing Biden's mess.... If Moody's had any credibility, they would not have stayed silent as the fiscal disaster of the past four years unfolded."

For anyone who has paid even a little attention to the fiscal outlook, the Moody's decision is hardly surprising, a bit overdue, and more than a little bit depressing. The only real question is whether it will measurably change the actual budget decisions supported by the Trump Administration and passed by Congress.

Any real change comes down to addressing the entitlement programs. Social Security and Medicare are more than one-half of non-interest federal spending over the next 10 years. More important, those programs grow much faster than revenue can plausibly grow - 5.5 percent and 7.0 percent, respectively. There can be no serious control of the growth of the debt without slowing the growth of these large programs.

Conveniently, Social Security is begging for reform, as the trust fund will exhaust in eight years or less. Reform is necessary to secure the future of Social Security for retirees, as well

as allowing those close to retirement to be able to do sensible financial planning. It will be good politics to address Social Security; the real trick will be to turn this opportunity to do retirement reforms into political support for broader fiscal reforms.