

Debt deal's impact unclear in Sacramento

By [Claudia Buck](#)

cbuck@sacbee.com

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Finally, it's a done deal.

After weeks of political debate and sky-is-falling [news coverage](#), the federal debt ceiling has been lifted. The default crisis has been averted.

On Tuesday, [President Obama](#) swiftly signed a debt limit compromise that calls for chopping \$900 billion over 10 years and finding \$1.5 trillion more to cut in federal spending by November.

Yet the news didn't exactly reassure anyone that the worst is behind us. Nor did it do much to calm [Wall Street](#), as all of the major indexes dropped more than 2 percent Tuesday, including the Dow, which closed down 266 points. As for the nation's vaunted credit rating, [Moody's](#) left it at [AAA](#) this week, but issued a "negative outlook" for its future.

What's it all mean for the rest of us? State budget forecasts are in limbo. Small businesses are still unclear if it's a signal to hire employees or beef up inventory. Consumers are left wondering whether to pry open their wallets or stash away more savings.

Here's a roundup of local reaction to the debt deal:

Henry Wirz, president/CEO, SAFE Credit Union

"I think it will have profound effects on the [Sacramento](#) area. About 25 percent of all jobs (here) are government jobs. The budget deficit battle means that we are in a long-term decline for [government spending](#) at all levels. That probably means higher [unemployment](#) and weaker [housing prices](#) in our area for some time to come."

Doug Covill, president, [Sacramento](#) Association of Realtors

"It's more good news. Even though (the debt deal) really doesn't affect any real estate programs or taxes, it does help confidence. And what do we need more of right now? If you're thinking about buying something like a home, confidence about your job or the economy can do nothing but help the real estate market."

H.D. Palmer, state Department of Finance spokesman:

"You can't say with certainty what the impact will be because of the nature of the agreement."

Noting the 12-member "super committee" that [Congress](#) created to pinpoint \$1.5 trillion in additional [spending cuts](#) by November, Palmer said "the contours of those reductions have yet to be determined. How will it affect

[consumer spending](#) or (state) [tax revenues?](#) It's extremely difficult (to assess). A lot of the choices that'll affect consumers and government have yet to be made. ... We're continuing to review details as they come in."

Jonathan Lederer, investment advisory firm owner:

"Over the past few weeks a lot of time has been focused on what [Congress](#) and the president are going to do, and it's taken our eye off business as usual. And I'm sure that's true for businesses and CEOs around the world It's already a fragile economy and this isn't doing much to help the situation. (The uncertainty) is the last thing people need to deal with right now."

Lederer said the impact on [U.S. Treasury bonds](#) is likely the biggest source of anxiety.

"Most decisions about whether you hire people or undertake projects are based around the underlying U.S. Treasury rates. It's the risk-free rate that people use around the world to price financial assets. When you don't know what could happen with those Treasury rates, it leads to a lot of uncertainty."

[Jeff Michael](#), director, University of the Pacific business forecasting center

"In the short term, there's not a whole lot in this package that's going to help the economic recovery. There are going to be cuts in government spending, no support for unemployment benefit extensions (and) all sorts of programs are bound to be reduced."

"But in the long term, it's important to get the deficit under control. The economic benefits will manifest themselves over time. ... [Congress](#) will have to make some choices, whether it's [health care providers](#), government paychecks or anything being paid by federal government: vendors, [construction projects](#), etc. It's all a matter of how they set their priorities."

[Tony Bell](#), financial adviser, Morgan Stanley Smith Barney:

"My clients are extremely frustrated. If they could fire everyone on [Capitol Hill](#), they would. They think it's all political theater."

Likewise, [Bell](#) said fears about the possible downgrade of the U.S. credit rating are highly overrated. "We're still the leading standard for cash globally. If you're in a foreign country, you'd still want to invest in the U.S. because the dollar will still be the strong currency."

Amelya Stevenson, president of Sacramento Area Human Resources Association and HR consulting firm owner

"I've honestly been very worried about this debt ceiling agreement. I don't know how it's going to impact my small business. I don't know if employers are going to feel confident enough to start hiring, to start expanding.

Calling Sacramento's battered economy "a [war zone](#)," Stevenson said her 17-employee company is down to only two full-timers. She wonders if the debt ceiling deal will change anything. "Is it going to help us keep our doors open, pay our vendors, help us stay in business? I don't know."

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Call The Bee's Claudia Buck, (916) 321-1968.

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